

MONDAY SPORTS SUNDAY FOOTBALL

Page 13

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U.K. Money Step Is Criticized as Halfhearted Move

Thatcher Will Not Yield On Full Monetary Union

By Leigh Bruce

International Herald Tribune

LONDON — Euphoria over Britain's decision to put the pound into the Exchange Rate Mechanism of the European Monetary System proved short-lived Sunday, with a chorus of criticism over the weekend even before the first full market test.

Prime Minister Margaret Thatcher stressed that her about-face on Friday, which allowed entry into the currency mechanism, did not necessarily imply a more flexible attitude toward European Community plans for full economic and monetary union.

She said that her EC partners "know full well we are totally against the single currency, and so is our Parliament."

In Venice for a meeting of EC foreign ministers, Jacques Delors, the president of the EC Commission, urged a cautious reaction to Britain's move, saying Sunday, that "only the future will tell us if this is not a pretext to slow down the process of integration."

A plan championed by Mr. Delors calls for a three-stage economic and monetary union culminating in a common EC currency.

Mr. Delors also said Britain's choice of a fluctuation margin of 6 percent up or down for the pound, rather than the normal band of 2.25 percent for currency's in the exchange mechanism, made management of the European Monetary System more difficult. The European Commission and Germany have insisted that the 6 percent band be temporary, he said.

There was strong criticism from former Chancellor of the Exchequer Nigel Lawson, who resigned last fall over the mechanism issue, blaming Mrs. Thatcher's resistance to membership for Britain's economic problems. In an interview with the BBC over the weekend, Mr. Lawson said, "Inflation wouldn't have got to the level of today if we had gone into the ERM when I proposed it."

In a commentary published by the Independent on Sunday newspaper, Roy Jenkins, a former chancellor of the Exchequer and EC Commission president, said the decision to enter the mechanism did not guarantee Britain a place among the EC leaders on monetary issues. It can only escape a spot among second-tier EC nations "if we show we have given up semidetachment, foot-dragging and general seriousness."

He added that Mrs. Thatcher would "take a good deal of keeping under control."

If it were a full member of the European Monetary System, Britain could expect its influence over the debate on monetary union to increase greatly. But there is no sign that it will be able to derail the process altogether, if that is its goal.

The other 11 Community members remained firmly committed to the goal of EC economic and monetary union, although skirmishing has broken out over the timing and pace of progress toward the objective.

A special EC summit meeting is scheduled to discuss monetary union at the end of the month. The intergovernmental conference to

See POUND, Page 9



An Israeli soldier demonstrating to an elderly couple in the town of Kfar Yona on Sunday how to test gas masks they had just been given.

Israel Starts Mass Handout of Gas Masks

By Jackson Diehl

Washington Post Service

KFAR YONA, Israel — Israeli families tried on gas masks and trooped home with shopping bags full of chemical warfare gear Sunday as the army began a huge operation to supply the country's 4.6 million citizens with protection against the chemical attack that President Saddam Hussein of Iraq has threatened.

The distribution began in this bedroom community of 5,000 people northeast of Tel Aviv and in two other small towns so that the army could experiment with procedures for what the Israeli authorities said would be the largest mass distribution of gas masks since World War II.

Officials said the nationwide campaign would take up to three months to complete, though there

are emergency plans to finish it in three days if necessary.

The Iraqi threat and the decision to hand out the equipment has crippled Israel's tourism industry and has rattled some nerves even in a society accustomed to security crises. Still, most of the families who appeared at a municipal center seemed to accept their gas masks with relative equanimity.

"I don't worry about it, because the chemicals are not very effective, and Saddam would be crazy to attack," said Sassa Elisha, a 25-year-old student, as he lugged a box holding a special protective tent for his one-month-old son. "This is just like insurance."

At the urging of the United States, Israel has tried to maintain a low profile during the crisis in the Gulf, and military leaders continue to say that they do not intend to

attack Iraq and doubt that Mr. Hussein's missiles and bombers can do much damage to Israel.

The government initially decided to postpone any distribution of gas masks because of concerns that the action would panic Israelis or be taken as a provocation by Mr. Hussein.

The decision to proceed with the operation appeared to reflect the army's desire to respond to Iraq's more strident threats against Israel as well as to prepare the country for a possible escalation of the crisis.

In a meeting with journalists the army's commander for the Central Zone of the country, General Yitshak Mordechai, said that in the event Israel was compelled to mobilize for war, its men would be able to report to their army units "feeling that their families are protected."

General Mordechai said that the army's operation amounted to transferring chemical warfare equipment from central storage to home storage, rather than an emergency operation.

For that reason, he said, the army will not now distribute masks and other equipment to the 1.7 million Palestinians living in the occupied West Bank and Gaza Strip. Military officials said last week that Palestinians would be given masks but would be charged the equivalent of \$20 for them.

But General Mordechai said, with regard to masks for Palestinians, "In this still-not-emergency situation we are not doing anything."

Some Israeli news organizations have said the military fears that Palestinians will use the masks in

See ISRAEL, Page 2

Bush and House Trade Charges But See Hope For Budget Deal

By Paul F. Horvitz

International Herald Tribune

WASHINGTON — With the U.S. government all but closed for business, its leaders grappled in private on Sunday to reconstruct a deal to trim the budget deficit by \$500 billion over the next five years.

They worked in a highly charged political atmosphere. The White House publicly blamed the Democratic-controlled Congress, and the Democrats, in turn, blamed President George Bush for the spectacle of a government stumbling along without any legal authority to spend money.

Despite the partisanship, leaders in Congress, which held a rare Sunday session, and the White House expressed optimism that the outlines of a new budget deal could be passed by the end of the day Monday. An aide to the president described this sort of sketchy plan as providing "less detail and more freedom" to congressional committee chairmen.

Such a deal would reopen the government temporarily and leave to committees the difficult task of negotiating the precise tax increases and spending cuts needed to satisfy the president, members of Congress who face November elections and lobbyists seeking the best budget deal for their constituencies.

Under one scenario, the government would reopen but with immediate across-the-board spending cuts of about \$40 billion. Committee action would be completed within two weeks.

On Saturday, Mr. Bush vetoed a congressional attempt to keep the government running without a budget for the fiscal year that began Oct. 1. The president theorized that Congress would renegotiate only under the threat of a government shutdown. The "economic soundness" of the United States is at stake, Mr. Bush said.

Many federal workers, who face layoffs on Tuesday, when govern-

ment operations would normally resume in full after the Columbus Day holiday, were outraged. So were tourists who found federal parks such as the Statue of Liberty and the Washington Monument closed over the weekend.

Only "essential" government services were to continue under the shutdown. At the Pentagon and the Federal Aviation Administration, where the primary jobs of national defense and air traffic control are deemed essential, normal weekend activities continued.

Several White House officials hinted Sunday that the president

The Budget

Who needs it? Some people's view of government. Page 4.

The impasse reveals a panoply of problems. Page 4.

Investors still hope U.S. interest rates will decline. Page 7.

might accept higher tax rates on the wealthy in return for an easing of the capital gains tax. But Mr. Bush's budget director, Richard G. Darman, said he would be surprised at such an outcome. He said the \$500 billion target for cutting federal spending over the next five years remained an "absolute requirement" of any plan.

The budget package that was defeated by the House on Thursday included tax increases on cigarettes, wine and beer and on gasoline and other fuels. It would have raised Medicare health insurance premiums, cut military spending and trimmed the amount wealthy Americans could deduct from their taxable income.

Both sides agreed that under a new plan, increases in Medicare premiums would have to be eased or eliminated. They said proposed increases in taxes on home heating oil would have to be reduced.

Tax breaks for small businesses would also be reviewed, said the

See BUDGET, Page 2

War Versus Peace: Bush Policymakers Balance the Pressures

By Andrew Rosenthal

New York Times Service

WASHINGTON — The Bush administration's policy in the Gulf hangs between war and peace, balancing on a few key issues that will determine whether the United States uses military force against Iraq.

This point in the crisis President George Bush and his advisers insist that they are not committed to a particular course of action, are considering several new diplomatic moves that could avert war and are beginning to make tentative plans for what Secretary of State James A. Baker 3d calls a "new political order" for the region.

But interviews with senior officials suggest that Mr. Bush and his aides have concluded that as much as the president may want to avoid war, a conflict with Iraq would be an acceptable risk, since they believe that Iraq could be defeated, and perhaps quickly.

"We have the means and the will to address any

Crisis in the Gulf

Hostages say they shouldn't be President Bush's main concern if he decides to strike.

EC ministers won't compromise on Kuwait.

American travelers were warned of anti-U.S. actions in three areas of the globe.

Articles, Page 5

further Iraqi aggression," said one of the officials, all of whom spoke on condition of anonymity.

[Pentagon officials said that the deployment of U.S. troops in the Gulf region was virtually completed with the arrival of armored units in Saudi Arabia during the weekend, news agencies reported from Washington.

"We're about to pass the buildup phase and move into the sustainment phase," said one official.]

There are forces drawing the administration toward

war: the Iraqi Army's plundering of Kuwait; administration officials' confidence that the alliance against Iraq would hold together if Iraq started a war and that United Nations approval could be obtained quickly, and their suspicion that the Iraqi Army might not stand up long against the force assembled in Saudi Arabia.

Mr. Bush and his advisers are increasingly grappling, as well, with the notion that a peaceful solution may work only in the short term and that President Saddam Hussein's withdrawal from Kuwait under economic and diplomatic pressure would not resolve the question of how to neutralize his army as a power in the region.

Weighing against these pressures are the success so far in enlisting support for economic sanctions; the prospect of heavy Arab, U.S. and European casualties; the potential economic disruption that could be caused by a war in the oil fields, and the possibility

that Israel could be drawn into the fighting and threaten the Arab coalition against Mr. Hussein.

"It's premature to say that war is becoming inevitable," a senior official said.

Officials said that options still available short of war include UN resolutions that would impose sanctions on those who violated the existing sanctions, denounce Iraqi attempts to destroy Kuwait, call for Iraq to pay reparations to Kuwaitis and, as a last resort, make direct reference to parts of the UN Charter that allow for the use of force.

[Yevgeni M. Primakov, an adviser to President Mikhail S. Gorbachev of the Soviet Union, said during the weekend after a meeting with Mr. Hussein that "I'm not pessimistic any longer toward the prospects of a political solution of the crisis," the Los Angeles Times reported from Baghdad. He did not elaborate.]

Administration analysts who follow events in the

See POLICY, Page 5

View From Europe: U.S. Loses Its Gloss

By Glenn Frankel

Washington Post Service

LONDON — For Europe's bankers and financiers, the federal budget crisis in Washington is another indication that the United States could emerge as the sick man of the new world economic order.

America's image abroad as a haven of financial opportunity had already been badly shaken by the triple whammy of the savings and loan crisis, weakness in the U.S. banking system and the decline of the real estate market, especially in the Northeast. In the past few months, foreign investors have been fleeing U.S. markets, while major British banks have written off some of their American investments the same way they wrote off loans to Third World debtors a few years ago.

Now comes the budget crisis, which is seen by many Europeans as an act of mystifying pettiness and self-destruction by politicians unable or unwilling to face the economic music at a time when the

United States is heading into recession.

"It's a real crisis of credibility for your political leadership," said Tim Fox, an economist with Midland Montagu, an affiliate of Midland Bank. "The actual numbers being talked about were so small, they only amounted to tinkering — and yet your leaders still couldn't agree

NEWS ANALYSIS

to them. So what prospects are there to take on the really difficult decisions? That's the thing that worries people the most."

Most analysts here say they believe a recession in the United States has already begun and have adjusted their investment advice accordingly. But the real danger, some warn, is not falling short-term profits but deeper problems that could linger long after factors like the recession and the budget crisis fade.

"It's a lot more than just a cyclical blip," said Norbert Walter, See IMAGE, Page 2

An Abruptly Reunited Berlin Street Tells 2 Tales of a City

By Marc Fisher

Washington Post Service

BERLIN — The gap between 65 Adalbertstrasse and 75 Adalbertstrasse is 100 yards long and, despite German unification this week, 40 years wide.

At No. 65, in what was East Berlin until Wednesday, the residents shovel brown coal into tiled stoves in a constant battle against the city's wet chill. On the next

block, at No. 75 in the west, tenants need only turn up thermostats.

At No. 65, the toilet is in the hallway, shared by several families. At No. 75, some of the young tenants have spent \$12,000 and more to install gleaming new private bathrooms in the latest chic colors.

The bus that passes Adalbertstrasse moves freely between the two parts of this long-divided

neighborhood. But a bus driver living at No. 75 would earn four to six times the salary of a driver on the very same route who happened to live at No. 65.

Nearly all traces of the Berlin Wall have been removed from this street, which connects the Kreuzberg section of old West Berlin and an isolated corner of what was once downtown in East Berlin. A stretch of asphalt was laid last month con-

necting the two pieces of Adalbertstrasse that had been dead ends since 1961. The old no-man's-land between the two 12-foot (3½-meter) concrete walls is now a flat swath of dirt and rubble, a fresh, jarring scar in the turn-of-the-century cityscape.

At No. 65, the paint is peeling off the balconies in workers' apartments; the stairwell lights don't work and the community TV room

is locked shut. The street is littered and bare of trees.

There are big old leafy trees outside No. 75, where a renovation job is holding up nicely. The tenants have adorned the windows with flower boxes, a rainbow of color.

"As soon as you cross over to the west, there's life all around you," said Rainer Hartmetz, 27, who lives on the east end of the block. "At

night in the east, there's no one on the street."

Mr. Hartmetz considers himself a Kreuzberg resident these days. But on the west side, Lore Gubanow, a pensioner who has lived near this block all her life, said it would take years to make the two stretches of Adalbertstrasse a single neighborhood.

"It used to be," she said, "but it See BERLIN, Page 2

Kiosk

Israel to Build In Arab Sector

JERUSALEM (WP) — Prime Minister Yitzhak Shamir announced Sunday that a new Jewish neighborhood would be built in Arab East Jerusalem, and he said that assurances given by Israel to the United States last week about settlements in the occupied territories did not cover construction in the city.

Under the agreement, which provides for \$400 million in U.S. loan guarantees, Israel pledged not to use American funds for construction in the occupied territories.

General News

Americans have sharply cut their death rate from accidents. Page 3.

Monday GSA

TV money holds the Olympics hostage, a former president of the Games says. Page 2.

Business/Finance

Suissebank's chairman resigned over a stock manipulation scandal. Page 7.

Crossword

Page 5.



San Francisco Rallies to Edge Houston

The San Francisco 49ers' quarterback, Joe Montana, being pulled down by Ray Childress of the Houston Oilers. The 49ers, the two-time defending Super Bowl champions, rallied to defeat the Oilers, 24-21, Sunday and run their record to 4-0 this season as Montana threw three touchdown passes. The victory was San Francisco's 12th straight on the road, a National Football League record.

Page 13.

In Hamlets, Loyalty to Beijing

By Nicholas D. Kristof

New York Times Service

SONG, China — He has lived all his 18 years in this village, planting wheat, picking apples and cleaning the family outhouse to spread the muck on the fields, but now Gao Lu is planning an escape route: a glorious career in the army or in the People's Armed Police.

If he should be called to Beijing to crush some future student movement, it seems pretty clear, he would react in the same way as the young troops who fired on crowds in June 1989.

"We didn't support the rioters," he explained as he sat in the main room of his home, his family nodding approvingly around him. "If Beijing is in chaos, then the whole country collapses. The leadership had to stop it."

"Besides, you have to obey your orders from one notch above," he added. "That's your role."

It is China's 746,000 hamlets that supplied the recruits who suppressed the democracy movement. These villages, such as Song, contain 70 percent of China's population.

China's history is full of peasant rebellions, and it was rural support that proved decisive in bringing the Communists to power in 1949.



ing more young men and persuading them to fire on protesters. Here in Song, people seem to go along with the official line about the crackdown: that a handful of conspirators used the university students to promote unrest in an attempt to overthrow Communist rule.

"You had to use troops — it was absolutely necessary," said Gao Futong, 48, a peasant whose son also wants to join the army. "Otherwise, chaos would have gotten worse, and there would have been no way for people to go to their jobs in the cities."

There is impossible to determine how broadly Mr. Gao's views are shared, but it is certain that the nation's future will depend in large part on the attitude of the peasantry.

Song is somewhat better off than the average village. It is only a half-day's bicycle ride from the provincial capital, Zhengzhou, and it has an annual average income of \$159 a person, compared with the national average in rural areas of \$128.

Moreover, Song is probably better managed than most villages, which partly explains why the an-

See CHINA, Page 2

Olympics Are Hostage to TV, Former Chief Says

Lord Killanin of Ireland was president of the International Olympic Committee from 1972 to 1980 and is now its honorary life president. He spoke at his home in Dublin with Samuel Abt of the International Herald Tribune.

Q. With the Arab massacre of Israeli athletes at Munich in 1972 just before you became IOC president and the boycott by the United States of the 1980 Games in Moscow at the end of your term, the Olympics were very much held hostage in your day, weren't they?

A. Are they still not held for hostage—by different people? When I was president, we were too poor; now there's too much money. Especially in the United States, television networks pay a large sum of money for the Games. That way you get dictation by television.

Q. What is being dictated?

A. The time of events. Korea was a case in point since most of the track and field events were at lunchtime, local time. That was peak evening viewing time on the other side of the international dateline. I take the

view that the athlete comes first. You don't want to run a 100-meter sprint first thing in the morning.

Q. The IOC's television revenue has risen enormously since your presidency. Did you ever think it would go so high?

A. I never did, no. But I never thought

taxes would reach such heights either.

Q. Does the decline of amateurism at the Games trouble you?

A. No. I think one must be absolutely realistic about this. I much prefer to see people openly receiving money than receiving it under the counter. Not all progress is pleasant. But it's possibly gone a little too far. If you go too far, people run for money, not for fun. I believe that most of the doping is caused by a desire to win money, not to win a race.

Q. The Olympics used to be above the rough and tumble of ordinary sports. Is there still an Olympic ideal?

A. I think there is but it varies from sport

to sport. The IOC has grown in size and representation. It used to be a super Jockey Club or Turf Club; it's now democratic with a very small "d." I still believe in the Olympic movement bringing people together with a common interest as a movement for peace and understanding, but unfortunately commercialization is making this more and more difficult.

Q. You fought this as president?

A. Yes. I did. On the other hand, you have to have money. I'm all for money for developing sports for all, I'm all for money for training people, for giving facilities. I'm not in favor of money for high living.

Q. High living?

A. I was shocked in Seoul when I found that Ben Johnson was not living in the Olympic Village but had four suites in a hotel. That to me is not Olympism.

Q. Do you think the award of the 1996 Games to Atlanta is justified in the year of the centennial of the Games' renewal in Athens?

A. The decision has been made and I will always stand by a decision of the IOC. If you had asked me where the award should

have gone, my reply would have been, for historic reasons, Athens, and for geographic reasons, Melbourne. Atlanta is very suitable, there's nothing wrong about Atlanta and Americans know how to sell. But Atlanta is the fifth lot of Games in North America recently: Montreal, Los Angeles, Atlanta, Lake Placid and Calgary. Athens would have gained more as well as having, in my mind, a justifiable claim.

Q. How long will the Games continue to grow in size?

A. After Barcelona in 1992, people will cry halt to size. But you must remember that in the past decade there have been more sports for women. Remember, 10 years ago we were discussing whether women should run the 5,000 meters.

Q. What is the overall future of the Games?

A. I believe that there will always be Olympic Games. A thousand years from now, there will be an entirely different world, there will have been many wars fought, but there will be Olympic Games. I believe that. The key is to evolve, to change.

MONDAY Q&A

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Paris in Africa: Power Broker

Rwanda Is Added to the List of Foreign Legion Ventures

By William Drozdiak

Washington Post Service
PARIS — For the second time this year, the dispatch of French foreign legionnaires, ostensibly to protect foreign nationals in an African country racked by internal strife, appears to have saved a government that was close to collapse. A week after Uganda-based rebels stormed into northern Rwanda and fought their way near to the seat of power, the government of

President Juvenal Habyarimana seemed to have restored calm to Kigali, the capital of the former Belgian colony, even though fighting was still reported in the north.

Diplomats reported that the presence of 300 French troops, along with the arrival of 600 Belgian paratroopers and 500 soldiers from Zaire, seemed to have thwarted a potential assault on the capital. A U.S. Embassy spokesman said the French and Belgian forces had "made a tremendous difference."

Major General Fred Rwigyema, a Rwandan exile and former senior Ugandan Army officer who is leading the uprising, has accused President Habyarimana's government of corruption and of exacerbating Rwanda's refugee problem. More than 100,000 Rwandans have been forced to flee their country, the most densely populated in Africa. Many of the rebels come from the minority Tutsi tribe. The Tutsi were removed from power by the majority Hutu in a 1959 rebellion, and many fled to Uganda.

Some 240 Westerners from Rwanda arrived in Paris early Sunday aboard a flight chartered by the French Foreign Ministry. On Saturday a French aircraft brought 140 more Europeans to Paris. Hundreds of other foreigners were being repatriated aboard Belgian and German aircraft.

[Three Belgian planes landed in Brussels Sunday with 463 refugees from Rwanda. The Associated Press reported. More than 200 were Belgian. Others were Dutch, American, German and Danish.] Prime Minister Michel Rocard of France has emphasized that the sole mission of the French expeditionary force is to ensure the safe evacuation of foreign residents. But regardless of the government's professed intentions, the intervention seemed likely to set off a new debate about France's military role in Africa. The government's other recent ventures have been in Chad and Gabon.

Sensitive to its reputation as "the guardian of Africa," France has sought to avoid employing force merely to prop up governments

that serve its interests. Since President Francois Mitterrand took office in 1981, France has insisted that it will only intervene when its citizens are directly threatened by civil unrest in Africa.

In the past, the French public rarely questioned the involvement of the country's troops elsewhere. French interventions in Africa have generally been short-lived, involving rare loss of French lives.

But lately, political surveys have indicated a growing public dismay at the expense of buttressing governments in former African colonies that seem locked in an unending cycle of poverty, corrupt leadership and flagrant abuse of human rights.

In contrast, the French public has strongly supported Mr. Mitterrand's assertive policy in the Gulf, where 13,000 French troops and a dozen warships are now poised to enforce the United Nations trade embargo against Iraq.

In May, hundreds of French troops were sent to Gabon when an outbreak of civil protests threatened to topple President Omar Bongo's government. The demonstrations halted after the arrival of the French forces, who did not have to fire a shot.

In Chad, French forces have periodically intervened, thwarting the efforts of Colonel Moussarab Gadhafi, the Libyan leader, to install a government sympathetic to his interests. France maintains thousands of troops at bases in Chad, the Central African Republic and Djibouti to permit rapid deployment to areas of turmoil.

For nearly three decades, French soldiers and foreign legionnaires have sustained almost a mystical reputation in Africa. Their presence is so legendary that a small contingent, or even its rumored arrival, has been sufficient to stave off rebellions against governments friendly to French and Western interests.

Although many of these countries were traditional French outposts, Paris has also sent troops to Rwanda and Zaire, another former Belgian colony.



Richard G. Darman, the White House budget director, talking to reporters on Sunday about plans for a new fiscal package.

BUDGET: Hope for a New Pact

(Continued from page 1)

House speaker, Thomas S. Foley, Democrat of Washington.

The negotiations over the budget crisis were played out in broadest interview programs Sunday.

Vice President Dan Quayle and the White House chief of staff, John H. Sununu, insisted that there could be "no business as usual" in the government until a budget was passed by Congress that included real deficit-reduction measures.

"If all we allow is business as usual, it will be business as usual with Band-Aids here and Band-Aids there," Mr. Sununu said.

But Mr. Foley called Mr. Bush's insistence on shutting federal operations until there was a budget deal a "mistake" that "harms innocent people" and injects partisanship into the negotiations.

As for a new plan, Mr. Foley said "the odds are shifting" in favor of an increase in the tax rate for the wealthy coupled with a decrease in the capital gains tax. "It's not the only way we can strike a bargain," he said, "but there are opportunities there."

Treasury Secretary Nicholas F. Brady declined to state the White House position on higher tax rates, but said at one point: "I'm not saying rates are sacrosanct."

Some Agencies Exempted

All uniformed military personnel are exempt from the shutdown, as are Defense Department civilians such as technicians or intelligence analysts whose work affects military operations, including those in the Gulf. The New York Times reported.

Through quirks in the federal accounting system, some agencies remained largely unaffected by the current shutdown because their financing did not expire. That was true at the Federal Maritime Administration and at the agency that operates the St. Lawrence Seaway. Amtrak was also operating under prior financing.

The Post Office will not be affected by a government shutdown. And the Voice of America continued broadcasting without interruption.

IMAGE: U.S. Is Losing Its Gloss

(Continued from page 1)

chief economist with Deutsche Bank in Frankfurt. "We're talking about deep, structural problems in the financial sector, with no real indication that American officials understand what has to be done or are prepared to do it."

No big foreign investor is pulling all of its money out of the United States. The market there is too big to ignore. But many are pulling back.

Last year, according to the New York investment banking firm of Salomon Brothers, there was a net inflow of direct foreign investment into the United States of \$72.3 billion. This year, based on first-half figures, the tide is moving the opposite way, with a projected net outflow of \$22 billion.

Behind the changing numbers, some see a permanent shift in the world's "trilateral" economic order in which the United States could slip behind both a German-dominated Europe and Japan in terms of economic importance, if not sheer size.

"When the United States sneezes, the world is no longer going to catch pneumonia," said Da-

vid Lomax, economic adviser to National Westminster Bank. "The United States is clearly no longer the dominant economic power. Over the next five years or more, it will be Europe that drives the world economy."

To some foreign analysts, the budget crisis illustrates one of the major flaws in the American governmental system of checks and balances: an executive branch that is hamstringed when it comes to important financial decisions.

"In your system, the executive can't take decisions," said Mr. Lomax, the economist with National Westminster Bank.

The savings and loan crisis, whose price tag has risen steadily with recent projections put at up to \$500 billion, has deeply shocked many European analysts. Among those most badly hit have been European insurers, such as Lloyd's of London, that find they are being asked to pick up part of the bill by paying off on policies for failed S&Ls.

"We look with some horror at what's been going on," said Richard Lawrence, director of Merrett Underwriting, Lloyd's second-largest underwriting group. Some 80 percent of Merrett's business comes from the United States.

"It seems to me the regulators are saying the problem was caused largely by criminal acts, which in my view is a nonsense," Mr. Lawrence added. "That's certainly an element, but more important was the irresponsible way the regulators behaved in encouraging S&Ls to get out of their depth and into businesses they didn't understand and in allowing some very strange accounting methods. Now when it's all gone wrong, they try to blame someone else."

Austria Vote Indicates Support for Coalition

By Michael Z. Wise

Washington Post Service

VIENNA — Austria appeared likely to keep its coalition government of the Socialist and conservative Austrian People's parties despite the dramatic gains of a rightist group, according to preliminary results of the parliamentary election Sunday.

The Socialists, buoyed by the popularity of Chancellor Franz Vranitzky, retained their plurality by adding one representative to their 80 in the lower house of parliament, which has 183 seats.

Mr. Vranitzky said he planned to ask the People's Party on Monday to continue its 4-year-old coalition. The People's Party suffered its worst setback since 1945, capturing 60 seats, 17 fewer than it had. But the two-party coalition would command more than three-quarters of the seats in parliament.

The rightist Freedom Party won 33 seats, 15 more than its previous number.

Led by the populist Jörg Haider, it sought to exploit anxieties about an influx of economic refugees from neighboring East European states freed from Communist rule. "Don't Let Vienna Turn into Chicago!" the party urged in posters plastered around the capital.

Mr. Haider has said that a trial vote requirement for Poles entering Austria should be made permanent. The requirement was imposed last month in an effort to stop a stream of illegal Polish workers.

As for German reunification and its effects on Austria, which Hitler's Germany annexed in 1938, Mr. Haider said with determination: "History does not repeat itself. Austria is in a different situation now. In the First Republic, it was the will of all parties to be annexed to Germany. Nobody wants that now."

The Green Alternative party added one seat to its eight. It was the only parliamentary party to oppose Austrian moves to join the European Community.

U.S. Shutdown, At Steep Price, Is Nothing New

New York Times Service

WASHINGTON — Federal operations have shut down three times in the last decade because of failures of Congress to pass an operating budget for a new fiscal year.

Those closures lasted a day or less before the impasses were resolved.

The first came on Nov. 23, 1981, when Ronald Reagan, in a struggle with Congress, ordered the layoff of about 400,000 of 2.1 million employees deemed nonessential to protect life, national security or federal property. It was the first time a president had ordered a large-scale shutdown of federal operations, and the one-day furlough cost taxpayers \$80 million to \$90 million in back pay and related expenses.

On Oct. 4, 1984, an estimated nonessential 500,000 civil servants were sent home because Congress failed to approve a stopgap money bill. The workers were at their desks the next day, with back payments for the furlough estimated at \$65 million.

And on Oct. 17, 1986 the government sent home 500,000 workers, all classified as nonessential, because Congress failed to pass a bill to keep their agencies running. This time the estimated time-off cost was \$61 million.

ISRAEL: Masks Given Out

(Continued from page 1)

confrontations with the Israeli Army in the territories.

U.S. Donations Rising

The campaign to raise private American contributions for the resettlement of Soviet Jews in Israel, an effort that got off to a rocky start in January, has overcome earlier controversies and is well on the way to reaching its goal of \$420 million by year's end. The New York Times reported from New York.

Fund-raisers say that the most recent impetus for giving has been the Gulf crisis, which, they maintain, highlights Israel's vulnerability.

In the minds of most contributors, internal Israeli questions—where the new arrivals should settle and the pace of negotiations with the Palestinians—have apparently paled by comparison with questions of Jewish survival, for both Israel and the Soviet empires.

Rabbi Alexander M. Schindler, president of the Union of American Hebrew Congregations, said, "Whatever residue of doubt obtained earlier was totally obliterated by the Iraqi invasion."

WORLD BRIEFS

Britons' Release Predicted in Beirut

BEIRUT (Reuters) — A Lebanese government source and Beirut newspapers predicted Sunday the imminent release of the British church envoy Terry Waite and other hostages following an improvement in Western ties with Iran and Syria.

But a leader of the pro-Iranian Hezbollah group said it would be wrong to speculate about a date for the freedom of the Westerners, kidnapped in Lebanon by groups widely believed to be operating under the Hezbollah umbrella. Muslim fundamentalist sources said the release of Britons might have to wait for the restoration of diplomatic relations between Britain and Syria.

Aeroflot Hijacker Is Overpowered

MOSCOW (AP) — The crew and passengers of an Aeroflot plane overpowered a man who had tried to hijack it to Sweden on Sunday, Tass reported. There have been more than a dozen hijackings or attempted hijackings of Aeroflot flights this year.

The man, identified as an unemployed resident of Perm, threatened to blow up the plane— which was flying from Perm, about 1,400 kilometers (870 miles) east of Moscow, to Arkhangelsk, in the northwestern part of the country—if it was not diverted to Stockholm, the news agency said. As the plane was preparing to land in the city of Kotlas, about halfway to Arkhangelsk, the crew "decided to take the risk, and with the help of the passengers, disarmed the hijacker," Tass reported.

Sudan Blocking Food Aid, U.S. Says

WASHINGTON (UPI) — A famine is developing in Sudan as devastating as one that swept East Africa in 1984, but relief efforts are being hampered by the Sudanese government's obstruction of aid workers and its support for Iraq, according to the U.S. State Department.

Relief workers predict that "hundreds of thousands, perhaps one million" people could die of starvation if emergency action is not taken, but sources say the Bush administration, although anxious to help, is wary of sending a significant food package because of fears the fundamentalist Islamic government in Khartoum may prevent it from reaching the non-Muslims in the south where aid is needed most.

Senior officials say the Muslim north has deliberately blocked supplies to the south, where previous famines have hit hardest, and where the government has been at civil war with various insurgent groups nearly since Sudan gained independence in 1956. One senior U.S. government relief worker referred to the Sudanese government as the "Kimer Rouge of Africa."

Soviet Offer on Kurils Is Reported

TOKYO (AFP) — An official of the ruling Liberal Democratic Party said Sunday that the Soviet Union had proposed returning two of four disputed islands to Japan in a bid to formally end World War II hostilities between the two countries.

The official, Hiroshi Mitsuoka, a former foreign minister, said the proposal had been conveyed to him by a senior Soviet official in Moscow. Mr. Mitsuoka said the proposal called for conferring a 1956 Japanese-Soviet joint declaration in which Moscow agreed to return Habomai and Shikotan, two of the four Kuril Islands off northern Japan.

Mr. Mitsuoka quoted the Soviet official, whose name was not given, as saying President Mikhail S. Gorbachev hoped to sign the agreement when he visits Tokyo in April.

AIDS Researcher in U.S. Investigated

WASHINGTON (NYT) — The National Institutes of Health will open a full investigation of possible misconduct in the laboratory of Dr. Robert C. Gallo, one of America's most prominent AIDS researchers. A statement from the institutes said that a preliminary inquiry had examined Dr. Gallo in some respects. But a spokesman said that the beginning of a formal investigation meant that "evidence has been found of possible misconduct."

The action represented a reversal by Dr. William F. Raub, acting director of the institutes, who had previously rejected an advisory panel's call for an investigation. The panel was examining allegations that Dr. Gallo's laboratory, which claimed to have independently discovered the AIDS virus in 1984, had instead deliberately or accidentally misappropriated it from French scientists.

Dr. Gallo has insisted that no theft occurred but has said that contamination of his samples with a virus supplied by the French scientists might have occurred as the two laboratories exchanged blood and tissue samples in their frantic efforts to isolate the AIDS virus.

U.S. Space Shuttle Discovery in Orbit

CAPE CANAVERAL, Florida (Combined Dispatches) — Breaking a troubled launching hiatus, the space shuttle Discovery went into orbit and sent the spacecraft Ulysses to explore the polar regions of the sun. The launching Saturday was 12 minutes late, but more than tolerable to officials frustrated by a string of mechanical failures that had halted countdowns and grounded shuttle missions since late April. (NYT, AP)

Bomb Explodes at Philippine Base

MANILA (Reuters) — Suspected rebel soldiers exploded a bomb inside military headquarters here, wounding one person and wrecking a jeep, the armed forces chief said.

General Renato De Villa said the bombed exploded Saturday under a jeep parked near the Department of Defense inside Camp Aguinaldo. It was the 41st explosion in the capital in two months and came shortly after a rebel colonel had been brought to the camp for interrogation.

TRAVEL UPDATE

France has authorized the charter firm Air Liberté to begin nonstop flights between Paris and Phnom Penh, making France the first Western country to offer a direct commercial service to Cambodia. Weekly flights will leave Wednesdays from Orly airport. (AP)

Most air and sea services were halted in southern Japan as the typhoon designated Hattie approached with winds of 103 kilometers per hour (about 70 miles per hour), transport authorities said Sunday. (Reuters)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Canada, Fiji, Guam, Peru, Singapore, United States.

TUESDAY: Ecuador, South Korea, Uganda.

WEDNESDAY: Cuba, Japan, Kenya, South Africa, Taiwan.

THURSDAY: Israel, Panama.

FRIDAY: Bahamas, Belize, Brazil, Chile, Costa Rica, Ecuador, El Salvador, Equatorial Guinea, Guatemala, Honduras, Mexico, Paraguay, Puerto Rico, Spain, Uruguay, Venezuela.

SATURDAY: Zaire.

SUNDAY: Yemen, Zaire.

Source: J.P. Morgan, Reuters

WEATHER

EUROPE				ASIA			
	HIGH	LOW			HIGH	LOW	
Amsterdam	51	38	F	54	41	W	sh
Athens	57	44	F	54	41	W	sh
Berlin	54	41	F	54	41	W	sh
Bombay	77	64	F	54	41	W	sh
Buenos Aires	68	55	F	54	41	W	sh
Calcutta	80	67	F	54	41	W	sh
Canton	78	65	F	54	41	W	sh
Colon	82	69	F	54	41	W	sh
Hankow	75	62	F	54	41	W	sh
Harbin	68	55	F	54	41	W	sh
London	52	39	F	54	41	W	sh
Los Angeles	65	52	F	54	41	W	sh
Madrid	58	45	F	54	41	W	sh
Moscow	55	42	F	54	41	W	sh
Munich	56	43	F	54	41	W	sh
Nairobi	70	57	F	54	41	W	sh
Paris	56	43	F	54	41	W	sh
Shanghai	79	65	F	54	41	W	sh
Singapore	80	66	F	54	41	W	sh
Tokyo	78	64	F	54	41	W	sh
Yokohama	79	65	F	54	41	W	sh
MIDDLE EAST				LATIN AMERICA			
Cairo	70	57	F	54	41	W	sh
Jerusalem	72	59	F	54	41	W	sh
Moscow	55	42	F	54	41	W	sh
Nairobi	70	57	F	54	41	W	sh
Tel Aviv	72	59	F	54	41	W	sh
OCEANIA				NORTH AMERICA			
Auckland	58	45	F	54	41	W	sh
Sydney	58	45	F	54	41	W	sh
CLOUDY; S-WINDY; F-FAIR; R-RAIL; OVERCAST; RAIN; SHOWERS; S-SHOWERS; S-SHOWERS.				CLOUDY; S-WINDY; F-FAIR; R-RAIL; OVERCAST; RAIN; SHOWERS; S-SHOWERS; S-SHOWERS.			
MONDAY'S FORECAST - CHANNELS: Rough, PARTLY CLOUDY; Cloudy, Temp. 70-84; Wind, 10-15; S.W. Breeze,							

AMERICAN TOPICS

Louisiana Pelican Making a Comeback

Louisiana, nicknamed the Pelican State, once had \$5,000 of the ungainly looking birds. But by the early 1960s they had vanished, apparently victims of endrin, a insecticide that found its way into the food chain.

Richard Martin, a state zoologist, told *The New York Times* that "Louisiana has the dubious distinction of being the only state in the country to have its state bird extirpated."

In 1968 scientists began bringing in pelicans from Florida and depositing them along the coast of the Gulf of Mexico. Since then the birds have taken tenacious hold despite hurricanes and frosts. Aerial surveys show "maybe 1,600 to 1,700 nesting pairs," Mr. Martin said.

The Army Corps of Engineers is restoring pelican nesting grounds with funds from state taxes on oil and gas production. But Louisiana brown pelicans are still on the federal list of endangered species.

Now, the Greening Of Executive Suite

Twenty years ago John Bryson, a graduate of Stanford University and Yale Law School, helped found the Natural Resources Defense Council, one of the most aggressive environmental organizations in the United States. Now, after stints in private law practice and state government, he has become chairman and chief executive officer of Southern California Edison Co., the biggest electric utility in the country and a major polluter.

Mr. Bryson, 47, said his primary loyalty is to the stockholders. "The company is not in the business of providing for social needs," he said. However, he said Cal Edison has an obligation to "promote sound environmental objectives."

His appointment "underscores a move among U.S. corporations to recruit executives for high-profile positions who have experience with environmental issues," the *Los Angeles Times* says. "For many companies this reflects a growing awareness that it makes good business sense to pay closer attention to the environment."

Other companies that have hired directors with environmental credentials are Exxon, Monsanto and the Walt Disney Co.

Short Takes

"It is foolish to look to commercial enterprises for one's en-

vironmental guidance," writes Judith Martin in her syndicated *Miss Manners* column. She cites a stationery ad showing a bundle of old love letters, "but the envelope shows that the lady has been curiously addressed by her name alone, naked of any courtesy title." A picture of an elegant teacup has a gilded spoon "sticking awkwardly up out of the cup itself, rather than in its proper parking place on the saucer. Miss Manners had thought everyone knew that warts will grow on any hand that leaves a spoon in a cup, even for a second."

Another columnist, Tony Kornheiser of *The Washington Post*, says the new NC-17 rating for adult films reminds him of a college football score: "NC 17, Duke 6." Mr. Kornheiser suggests some film ratings of his own: "An S rating warns that Martin Sheen or one of his sons is in the film" and "NA—for No Adults—is a movie with any combination of skateboarding, ninjas, bicycle messengers and Kiefer Sutherland."

Gil Hodges, who managed the New York Mets to their first World Series victory in 1969 and died in 1972 of a heart attack two days before his 48th birthday, "knew who he had to coddle," knew who he had to kick," recalls Bud Harrelson, who played shortstop for Hodges and now manages the Mets. Frank Locum, a former National League executive, recalls Hodges firing Cleon Jones for leaving batting practice without permission. The manager "told Cleon, 'That'll cost you \$1,000.' When Cleon said, 'That doesn't bother me,' Gil said: 'Now it's \$2,000. Let me now when I get to a number that impresses you.'"

"One day there will be a pill you can take that will instantly make you beautiful, healthy, skinny and rich," says a quarter-page ad in the *Los Angeles Times* by The Sports Connection, a health club. "Today, however, is not that day. Only \$50 to join!"

About People

When Clayton Williams, the Republican candidate for governor of Texas, was told that his Democratic opponent, Ann Richards, is moving up in the polls and now trails him by only 6 percentage points, he said, "I hope she didn't go back to drinking again." Mrs. Richards, a recovering alcoholic, says she completed 10 years of sobriety last month. A spokesman said her opponent had made "an extremely tasteless comment—even for Williams."

Arthur Higbee

Ex-Klansman's Strong Run

Louisianan Concedes After Better-Than-Expected Bid

By David Maraniss

Washington Post Service
NEW ORLEANS — David Duke, a renegade Republican tapping into a deep well of racial and economic resentments, ran far stronger than expected in Louisiana but fell short in his challenge for the U.S. Senate seat held by J. Bennett Johnston.

Complete but unofficial returns showed that Mr. Johnston, a Democrat, was elected to a fourth term with 749,554 votes, or 54 percent of the total. Mr. Duke received 605,281 votes, or 44 percent, in an open primary in which two minor candidates were also on the ballot.

The showing by Mr. Duke, a former Ku Klux Klansman who represents the New Orleans suburb of Metairie in the state legislature, was better than what most experts

had assumed was his maximum.

Mr. Duke ran so strongly in the bipartisan primary that it appeared he would have forced Mr. Johnston into a November runoff had not the official Republican candidate, Ben Bagert, dropped out of the race in a last-minute effort to stop Mr. Duke and urged his supporters to vote for the incumbent. Mr. Duke's past ties to the Klan and associations with American Nazi Party figures were a source of embarrassment for Republicans.

Mr. Duke conceded defeat on Sunday and said he would not challenge the outcome in court, as he threatened to do on Saturday night. The Associated Press reported from New Orleans.

"I'm here to concede the election to Bennett Johnston, but I'm not going to concede or relinquish my commitment to the principle of

equal rights for every American," Mr. Duke said.

[As the vote was counted, Mr. Duke had said that absentee ballots for Mr. Bagert, which the secretary of state announced would not be counted, should be included in the tabulation.]

Mr. Duke's showing was strong in all sections of the state, according to voting analyses. Attracting about 60 percent of the white vote "is a tremendous victory for him," said Ed Renwick, a political scientist. "He's going far beyond what we thought he could get. This will only increase Duke's power."

The turnout was extraordinarily heavy throughout the state. Officials said it might exceed 70 percent, a record for an off-year primary in Louisiana. Primaries in other states this year have averaged turnouts of about 20 percent.

The Cautious Decade in America: Accidental Deaths Plunged 21%

By Trish Hall

New York Times Service
NEW YORK — Gradually and with little fanfare, Americans have reduced one measure of risk in their daily lives: In the past decade, the death rate from accidents has dropped 21 percent as more cautious conduct has been institutionalized in law and custom.

The figures, issued in August by the National Safety Council, a congressionally chartered group in Chicago whose statistics are considered authoritative, include a 20 percent decline in the rate of motor-vehicle deaths, which account for nearly half of all accidental deaths. The biggest drop was among drivers 15 to 24.

The death rate from accidents at work, like motor vehicle crashes and falls, dropped 29 percent. The death rate for public accidents, which include falls, drownings and plane crashes, declined 22 percent, while the death rate from accidents in the home, like falls, poisonings and fires, fell 16 percent.

If not for a significant increase in accidental fatal drug overdoses, the death rate in the home would have fallen much further.

More progress was made in accident prevention in the 1980s than in any other decade in this century, according to the council.

Although the drop in the accident death rate reflects the lowered odds of an individual's risk in a given year, the overall number of accidents has also fallen, despite the growth in population.

The total annual number of fatal accidents fell to 94,500 in 1989 from 105,312 in 1979. The risk of dying in a car accident is lower now than at any other time since the 1920s, although the abandonment of a nationwide 55 mph (about 90 kph) speed limit has started to increase the hazards again.

Officials at the council are reluctant to ascribe the national decline to any particular factor, saying the requisite studies have never been done. "You can't put your finger on any one thing," said Nina Moroz, manager of the group's home safety program.

But changed attitudes and regulations clearly account for some of the decline in fatal accidents, which rank as the fourth leading cause of death, after heart disease, cancer and strokes.

Campaigns against drunken driving have reduced deaths from auto accidents, and a similar effort directed at boaters may be reducing the risk of drowning.

"A lot of attention has been focused on alcohol and boating," said Albert Marmo, executive director of the National Boating Safety Ad-

visory Council. Half of all boating deaths involve alcohol.

A large decline in fire deaths in the early 1980s is partly credited to widespread use of smoke detectors. But a big drop in deaths from 1988 through 1989 is difficult to explain.

Smoke detectors could be a factor, but the change could also be linked to a national decline in the percentage of smokers, said John

Changed attitudes and regulations account for some of the decline

Hall, director of fire analysis and research for the National Fire Protection Association in Boston. Cigarettes are the leading cause of fires in the home, where four in five fire deaths occur.

Many market researchers and academics attribute concern about safety to a population that is aging, and is having fewer children and later in life.

Such people have propelled safety legislation, inspired the marketing of products like cars equipped with air bags and proved to be avid consumers for an emerging safety industry that provides personal alarms, no-slip bathmats, safer cutting boards and even a device that slips over shopping-cart handles, to keep babies from making contact with germs.

The vigilance has increased gradually, stemming at least in part from the consumer movement that took hold in the 1970s, championed

by Ralph Nader. In the 1980s, campaigns against drunken driving and public smoking reinforced the notion that Americans could no longer impinge on the safety of others.

But while danger always makes news, the reduction of certain risks seems to go unnoticed and thus fails to make people feel more secure.

Nowhere is the push for safety more pronounced than in the marketing to parents. Sales of items in the Perfectly Safe Catalogue, which offers items like latches to keep cupboards shut and gates to prevent falls down stairs, are growing 15 percent a month, said Jeanne E. Miller, vice president of the Duncan Hill Group, a direct marketer in North Canton, Ohio, that puts out the catalogue.

Five years ago, Michael Lerner started selling the "Baby on Board" signs that became ubiquitous in cars. Now his company, Safety 1st Inc., in Chestnut Hill, Massachusetts, has 75 products, partly inspired by changes in child rearing.

"When I was growing up," Mr. Lerner said, "my mother was always there." Twenty years ago, he added, no state required that children ride in safety seats in cars. Now, all do.

Arnold Brown, a partner in Weiner, Edrich, Brown, a New York company that advises corporations about trends, believes that safety is becoming the newest obsession of the baby boom generation, taking its place alongside fitness.

The heightened concern for children's safety, he said, makes sense at a time of shrinking families. "If you lose your child now," he said, "you lose your family."

THE PENINSULA GROUP

The One hotel group

whose name is synonymous throughout the East with traditional standards of elegance, style and grace, now has a sparkling string of properties that stretches through the Pacific to the Atlantic.

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The Kowloon Hotel, Hong Kong
The Manila Peninsula, Manila
The Palace Hotel, Beijing
The Peninsula, Bangkok (opening 1993)
The Peninsula, New York
The Peninsula, Beverly Hills (opening 1991).

THE PENINSULA GROUP

Bill Would Weigh Racial Bias In Death-Sentence Appeals

New York Times Service

WASHINGTON — The House has passed a major crime bill after approving an amendment that would permit death-penalty prisoners to seek a reversal of their sentences if they could produce evidence suggesting a pattern of racial discrimination in prior cases.

The anti-discrimination measure, approved 218 to 186, would apply retroactively to existing death-penalty convictions and could have a profound effect on the country's 2,400 current death-row inmates, most of whom are black.

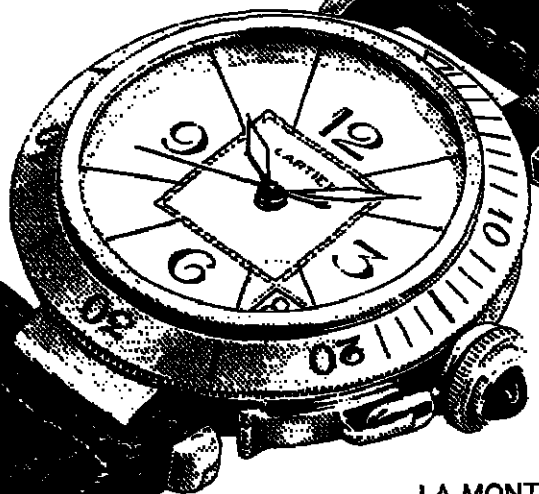
"Racism continues to be indigenous, not only in our society, but in our criminal justice system," said

Representative Steny H. Hoyer, Democrat of Maryland. "If you represent a black defendant, you know he is at greater risk than a white defendant."

But the House passage of the Racial Justice Act raises a cloud over the overall crime legislation. President George Bush has said that he would veto legislation containing so-called racial quotas in the imposition of capital punishment.

A White House spokeswoman said that while the president was pleased with many parts of the bill, he remained concerned about the discrimination amendment.

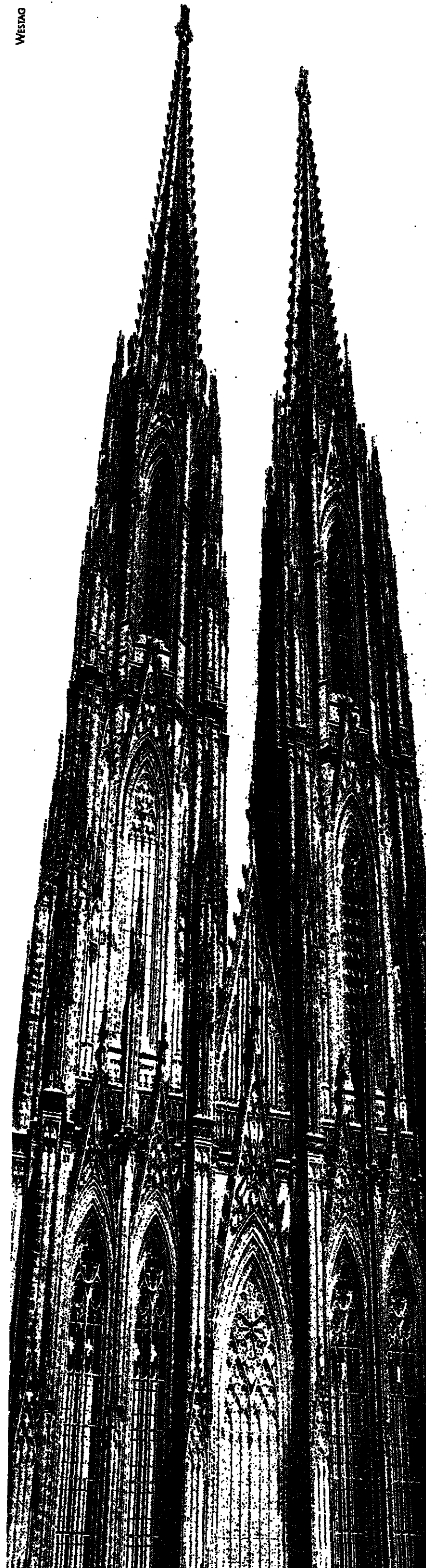
Pasha de Cartier



LA MONTRE ABSOLUE

Zürich, Pensionsplatz
Zürich, Tivoli-Basement
Zürich, Hotel New Park
Badenweil, 420
Zürich, Airport
Terminal A, 3rd Floor
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Service-Organisation
in fünf Kontinenten

TÜRLER
SCHMUCK & UHREN



High quality performance

But Cologne Cathedral is not the only world-famous monumental performance "made in Cologne". The products of many of Cologne's companies are also highly-regarded all over the world. The metropolis on the Rhine is a centre of the insurance business and the seat of many major associations, e.g. the Federal Association of German Industry. International trade fairs like ANUGA and PHOTOKINA impressively demonstrate the importance of the Cologne Fair for world trade. The city is also a centre of the media business thanks to Westdeutscher Rundfunk (WDR), the Deutsche Welle, the private TV channel RTL Plus, the MediaPark and several important publishing houses.

You think you might like to know more about business in Cologne? Just write or phone us, we'll be happy to oblige.

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THE BUDGET: As Bush and Congress argue about putting the government back to work, some in Washington wonder why they bother

Tourists' View: If It's Broke, Don't Fix It

By Maureen Dowd

New York Times Service

WASHINGTON — The government went out of business over the weekend, and it was not immediately clear that everyone wanted it back.

"I don't think we need all of them," said a tourist from Virginia as she gazed through the iron gate at the White House, where President George Bush and congressional leaders were arguing yet again on the budget impasse.

Kim and Dennis Rollinson, a young couple from Pittsburgh, stood enjoying the apple-crisp autumn day. They could not take a White House tour because the White House, museums, monuments and other government agencies were closed except for work deemed essential.

Instead of touring, the Rollinsons mused about how, exactly, Mr. Bush and Vice President Dan Quayle and the congressional leaders had come to the conclusion that they were essential.

The couple agreed that they were not overly eager to see the tax-eating behemoth of a bureaucracy come alive again. "They're probably getting as much accomplished closed up as staying open, with all that rhetoric they put out," Mrs. Rollinson said. "We still got up this morning, same as always."

Sonny Bone, a construction superintendent from Alabama who

was wandering around not looking at animals in the National Zoo — the buildings and animal houses were closed, but the grounds were open — also reflected disgust with the instability of the administration and Congress to keep the government operating.

"I was in the Senate Gallery for an hour and a half, watching them do caucuses and roll calls and talk about the budget," Mr. Bone said, his hands thrust into his jeans pockets. "And I saw more monkeys there than I could ever see at this zoo."

Huddled Masses Missed the Boat To Ellis Island and Statue of Liberty

New York Times Service

NEW YORK — It was a glorious weekend of limpid blue skies and gentle breezes, but it was pretty much ruined for thousands of tourists who could not visit the Statue of Liberty or Ellis Island in New York City because of the budget impasse in Washington.

"You can't come to New York City and not see the Statue of Liberty," said David McDonough, a visitor from Dublin who, with his wife, Aine, was touring the United States for the first time. "It's not quite the same to look at it through binoculars."

The National Park Service closed the islands, and the ferry service that takes visitors to them was suspended. About 25,000 people visit the islands on weekends, said Manny Strumpf, a spokesman for the National Park Service.

Workers with the Circle Line's Statue of Liberty Ferry spent the weekend turning visitors away from the ticket office. A message was heard periodically on the public address system: "Due to the appropriations bill not being passed, Ellis Island and the Statue of Liberty are closed. Please watch the news on television for further details."

are worse than if we had handled them ourselves."

Mercedes Carty, a laboratory technician, pledged revenge when guards turned her away from the Hirshhorn Museum and Sculpture Garden. "It is disillusioning to see this in the richest country in the world," she said. "We will remember this when we go to the polls."

The irony was that tourists who could not get into the darkened Washington Monument or Smithsonian Institution, or the panda house at the zoo were forced to go to the only federal show in town that remained open: Congress.

They waited in long lines and clogged the House and Senate chambers, watching lawmakers who had helped close the government flailing away about how to get it back open.

"I am shocked there are not more senators in there in light of the seriousness of the situation," said Maxine Terry of Illinois after watching the budget debate in the Senate chamber. "I know where our senator is — he's probably out campaigning."

Mr. Bush was operating on the principle that a little suffering, or "discipline," as he put it, can be beneficial in getting politicians to listen. But Mr. Bush did not do much suffering himself, since practically all employees who directly serve the president — from his personal aide to his butler — have been classified as essential.



Mr. Bush handing over his just-signed veto of legislation to avert a government shutdown. Vice President Quayle, right, looked on.

Impasse Unveils a Panoply of Problems

By Thomas B. Edsall

Washington Post Service

WASHINGTON — The spectacle of a political system unable to produce a viable budget agreement has revealed an accumulation of what many feel are much deeper national problems.

A weak presidency in a time of domestic strain, a Democratic Party unequipped to debate national policy, a deepening partisan conflict over the basics of economic policy, an electorate under increasing economic pressure after decades of rising consumption — all have merged in the budget debacle.

As President George Bush and Congress continue to struggle to bring down the deficit, closely linked developments suggest that the achievement of anything approaching a national consensus has become an increasingly difficult goal.

The House's rejection of the budget plan after Mr. Bush made his first direct appeal to the American electorate for support was a grave blow to the core of presidential power. In the U.S. system of checks and balances, presidential authority in domestic matters depends heavily on the power of the bully pulpit, now especially through television, to control the direction of government policy.

Jody Powell, who watched an erosion of presidential power while serving as press secretary to Jimmy Carter, said: "Anytime you get beat, it makes people inclined to think they can beat you again. The more people are inclined to take you on, that may be as serious for him within his own party as it is within the Democrats." Mr. Powell was referring to Mr. Bush.

Another experienced political observer, Robert S. Strauss, former chairman of the Democratic National Committee, said, "You and I know that when they smell blood in the water, they go in this town."

He said the House vote rejecting the budget agreement "was an event."

"I don't want to characterize it yet, because it is too soon," he said, "but compared to good and bad, it ain't good."

Mr. Strauss did not say who "they" — the blood-smelling sharks circling the nation's

At the same time, the budget process has revealed the glaring weaknesses of the congressional wing of the Democratic Party as it attempts to set national economic policy.

Democratic leaders face a Republican president in the 10th year of Republican control of the White House; they face a wing of the Republican Party driven by the goal of forcing a Republican takeover of the Congress. And they discovered that they could rely neither on their congressional rank and file — especially in the Senate — nor on the increasingly frayed loyalties of the voters.

The party leaders' weaknesses in the bargaining process are reflected by voter assessments of the Democrats. From the 1930s to the years of the Carter administration, decisive majorities of the public viewed the Democratic Party as better able to provide prosperity and to protect the "little guy."

Now, according to Stan Greenberg, a Democratic poll expert, voters, by a margin of 39 percent to 24 percent, see the Republicans as better able than the Democrats to "keep the country prosperous."

This is a year in which voters are showing increasingly strong anti-incumbent sentiments; there has been firm backing for referendums limiting legislators' terms in office. Thus, the ability of House and Senate Democratic negotiators to stand tall for Democratic principle has been severely constricted.

Instead, the negotiators made concession after concession in the final days of the budget meeting. Ultimately they agreed to place the heaviest burdens on voters who earn between \$20,000 and \$30,000. Those are just the ones the party has been struggling to win back.

NEWS ANALYSIS

capital — are, but a collection of forces in Washington eat away at presidential power.

Among them: powerful national lobbying groups and political action committees; deeply partisan figures such as Representative Newt Gingrich of Georgia, a conservative Republican whose agenda supersedes that of his president; the bureaucracy and the powerful constituencies it serves; the ambitious in both parties who see any weakening of the presidency as an enlargement of their opportunities.

"We may have seen a Republican House whip 'Carterize' his own president," a Republican strategist remarked with amazement. He was referring to Mr. Gingrich's defection from the budget plan, a development that accelerated the hemorrhaging of Republican and Democratic support for the budget package.

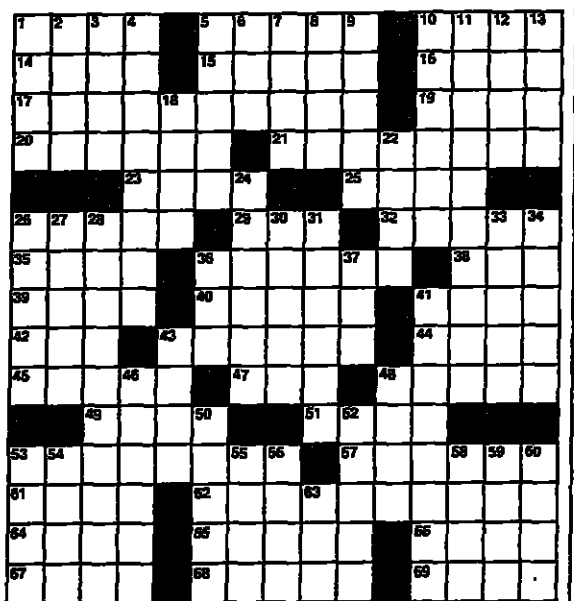
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 - 57 Great Danish poet: 1587-1637
 - 61 Stop
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Solution to Friday's Puzzle

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- 54 Scarce
- 55 Lévesque of Québec
- 56 Sawbill
- 57 Environmentalist's subj.
- 58 Art or wood
- 59 Corrida cheers
- 60 Navy's C.I.A.

Does the world's largest industry need a holiday?

More money is spent on travel and tourism than on any other product or service.

In Europe alone, this business segment accounts for more than 5.5% of the European Community's gross national product. It employs one out of every ten Europeans. In fact, the turnover from Europe's travel and tourism market represents more than half of the world's total volume of this industry. But for how much longer?

It would appear that the "holiday" industry itself is in need of a holiday. Outdated concepts no longer correspond with the lifestyle of the modern traveller. Consumer behaviour and expectations have changed. Nowadays, travelling has become more spontaneous. Astute travellers have come to expect more value and more services for their money.

If the industry is to prosper, it must recognize these and other trends. And change accordingly. The challenge for tour agencies, travel agencies, railway systems, airlines, ferry operators, car rental companies, and related businesses is to optimize their opportunities by

taking innovative, decisive action. It is the only way that the world's largest industry can retain its special place in the sun.

The 60th American Society of Travel Agents World Tourism Congress has set itself the dual task of analyzing the market and creating new concepts for it. These goals are shared by American Express, a company whose expertise in travel and tourism spans the globe for more than 100 years. American Express actively sponsors and supports various industry initiatives, such as this year's ASTA convention or the EC's "European Year of Tourism 1990".

American Express salutes the ASTA as partners in the travel and tourism industry.

The 60th ASTA World Tourism Congress takes place from 7 to 13 October 1990 in Hamburg, Germany. We look forward to welcoming you in hall 10B at stand 7001-7005 and at stand 8002-8006.

AMERICAN EXPRESS TRAVEL RELATED SERVICES

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SAC Communications Commission 199

Herald Tribune

Published With The New York Times and The Washington Post

Setting Europe's Scene

It is a telling sign of the rush of events that the new Soviet-American accord on reducing conventional arms in Europe was received with something of a yawn. This is the issue—building down the largest, longest, most menacing face-off of armies in the world—that confounded negotiators of East and West for years. Yet when the tentative agreement in principle was announced, it seemed anticlimactic. The ideological and political tensions that supplied the Cold War's defining sense of confrontation and danger had already faded. Political and budgetary pressures in both Western and Eastern Europe already ensure that even the reduced weapons ceilings are higher than the levels the public cares to bear. One party to the face-off, the Warsaw Pact, is a memory, and the other, NATO, is searching for a purpose "beyond containment." Nothing better indicates the reigning topsy-turvy than that Soviet troops in what was until Wednesday East Germany are now on the payroll of a NATO member, the Federal Republic of Germany.

And yet there is a demonstrable need for armies of a certain size and shape to be maintained. This creates in turn a further need for the shrinking to be done in an organized, negotiated way that adds order

and trust to a process that might otherwise be random and even destabilizing. If in earlier times the purpose of arms control was to manage tension across the East-West divide at lower levels of risk and cost, then the purpose of arms control now in Europe is to support the continent's marvelous reach across that divide. How appropriate that new agreement was reached on the day Germany was unified: just the right match of military relaxation and political healing.

The agreement sets in treaty concrete Mikhail Gorbachev's breakthrough principle that the Soviet Union, having greater forces, must accept unequal (greater) reductions. Where some of the new ceilings actually exceed the levels of forces that NATO has in place, the Kremlin is either destroying or withdrawing from the treaty's European area tens of thousands of machines of war. The new figures are lower and uninteresting. With them come confidence-building verification measures and arrangements for monitoring future developments and maneuvers. The result extends the warning time of a theoretical Soviet attack from days to years. All these matters become the necessary military underpinning of the new Europe.

—THE WASHINGTON POST.

Fiasco on the Potomac

No air travel. No FBI agents. No food inspections or drug enforcement. No one to write checks for Social Security, federal pensions, Medicare, Medicaid. Yes, the federal government can shut down. This is exactly what America faces after the House's dumbfounding vote to reject the deficit reduction compromise. Fiscal 1991 began last Monday but the government is still without a budget, and without authority to spend money.

The paralysis occurred at the start of the three-day Columbus Day weekend, a time of minimal governmental activity. But even if the impasse is resolved quickly, it would traumatize federal employees. Worse, the simple uncertainties could torment millions of citizens. That makes it essential for Congress to agree, with all urgency, on a new budget compromise. Many members reviled the old one, but it was better than nothing, and anyone who doubts it now has the grim opportunity to contemplate nothing.

Any plausible compromise package needs to address three principles.

Credibility. The overall size of deficit reduction must be comparable to the half-trillion dollars that the rejected compromise would have achieved over five years. And, like the rejected compromise, it should keep next year's bit small enough to protect a fragile economy.

Regressivity. The burden of tax increases and spending cuts should fall primarily on the nonpoor, but in no circumstance should the poor and near-poor bear more burden than under the rejected compromise.

Social services. Cuts in domestic discretionary programs should be no higher than under the rejected compromise.

These ingredients are essential to economic growth and essential to social justice.

A glaring defect of the rejected compromise was that it made apalling small cuts in defense, as if no one had noticed that the Cold War was over. A new compromise could be forged by prudently cutting tens of billions more from defense over five years, freeing money to soften the required tax increases and the increases in Medicare premiums. In the best of all budgets, funds freed from defense would be used to invest in children and to rebuild infrastructure. For the moment, those priorities seem foreclosed. Fighting the budgetary battle for kids and concrete programs will have to be postponed.

The immediate enemy is government shutdown chaos. It is not a contrivance for political jockeying. It can brutalize innocent citizens. The country needs a government, which means a budget, which means there are compromises to be made, and fast.

—THE NEW YORK TIMES.

Stop Helping Pakistan

Secretary of State James Baker recently declared himself ready to "mount a major effort" to slow the spread of nuclear arms to states like Iraq, but he will not convince Saddam Hussein or anyone else that he is serious if he does not halt U.S. aid to Pakistan. Iraq is years away from producing nuclear weapons, Pakistan is on the verge. By law, no U.S. aid can be sent to Pakistan or any other potential nuclear power unless the president certifies that the country has no nuclear arms and that to continue aid discourages their acquisition. Pakistan fails to qualify on both counts.

Instead of cutting off aid at once, however, the State Department is trying to wriggle around the law. It prefers to wait for the election of a new government in Islamabad, then seek new assurances that Pakistan will end its bomb quest. To his credit, Stephen Solaz of New York, chairman of the House subcommittee on Asian and Pacific affairs, will no longer look the other way. He wants to suspend aid now and he is right.

The State Department has always come up with excuses to postpone an aid cutoff. Starting in 1981, it successfully argued that Congress should overlook Pakistan's bomb-

making to secure Pakistani support for the Afghan resistance. More recently it feared for the fragile elected government of Benazir Bhutto, concluding that continued aid would eventually strengthen her efforts to curb the pro-bomb officials in her own government. Now State hints that Pakistan's help is needed against Iraq. All the while, Pakistan closes in on the bomb. Without tangible evidence of Pakistani restraint, a nuclear arms competition in the Asian subcontinent is all but certain. That danger was simply demonstrated last month by a former chief of staff of the Indian army. "I am telling you in straightforward terms," General Krishnaswami Sundarji said in *The Far Eastern Economic Review*, "an Indian planner should assume that Pakistan has a certain nuclear-weapon capability, and similarly any prudent Pakistani military planner ought to assume that India has got a certain nuclear-weapon capability."

The same dynamic is under way in the Middle East. The United States has to show it is serious about curbing proliferation. The place to begin is Pakistan, and the time to cut off aid is now.

—THE NEW YORK TIMES.

Democracy for Filipinos

Corazon Aquino has survived still another coup attempt by rebel Philippine soldiers, but survival is just about all her once-promising government has going for it as she concludes the fifth year of her six-year term. All the same, bequeathing a restored democracy to her successor remains a significant and attainable goal. Washington did right to signal that it would swiftly punish any coup-imposed regime by withholding foreign aid.

With the Cold War now ending in Asia as well as in Europe, U.S. relations with the Philippines are being transformed. The big bases at Subic Bay and Clark Field are no longer essential. The Bush administration is prepared to relocate them if terms cannot be agreed on in talks now under way. Even so, the two countries remain linked in a special relationship, the heritage of half a century of American colonial rule. And while the Philippines has become less significant militarily, it remains part of the world's fastest growing economic region. Sadly, policies of both the Marcos and the Aquino regimes have caused the Philippines to miss out on the Southeast Asian boom.

Mrs. Aquino's presidency has badly disappointed the hopes she once inspired. It

has not all been her fault. Military plots, Communist insurgency, inherited debt, natural disasters and now the stiff oil shock have kept her almost continuously off balance. But her damaging failures to deliver on promises of land reform and tariff reduction have been self-inflicted. And the shocking inefficiency of public services has demoralized the public and deterred potential investors.

These failures have provided her many critics with ample grist. But the most powerful of these have been military adventures or corrupt former cronies of the late Ferdinand Marcos. What a rude betrayal it would be for the Philippines who filled the streets with people power in 1986 again to suffer dictatorship, disregard for human rights and corruption. And what a negative message it would give to the aid donors and investors who now represent the country's best hope for growth.

Americans cannot rescue the Aquino presidency from its own failings. But Washington does well to deploy its aid leverage in defense of the most important product of people power: Filipinos' right to elect leaders of their own choosing.

—THE NEW YORK TIMES.

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Gulf Talk: Read Between the Chatter Lines

By Jim Hoagland

WASHINGTON — The Gulf crisis keeps Washington's cottage industry of instant revisionism on overtime. At the Central Intelligence Agency and the State Department, lights burn late in the offices of those who embellish or rewrite potentially embarrassing events, putting themselves in a better light before more accurate versions harden into accepted history.

This is a self-defeating reflex. Revisionism creates a protective mythology that will ensure that the problems which this crisis brings to the surface will not get fixed before the next one occurs.

The CIA's claim to some news organizations, on "background," that it gave the White House

later claimed to the media, that Iraq was about to launch a full invasion. Two officials who have had independent access to the CIA's highly classified pre-invasion analysis tell me that the agency continued to report right up to the Aug. 2 blitzkrieg that Iraqi troops were likely to move across the border and then stop, as a way of pressuring the Kuwaitis to cede in negotiations.

This would explain a cryptic public remark by April Glaspie, the U.S. ambassador to Iraq, who would have seen the CIA analysis. In an interview with *The New York Times* last month, she acknowledged that neither she nor anyone else in the government foresaw that Iraq was about to take all of Kuwait. Such inadvertent honesty has not endeared Ms. Glaspie to higher-level officials, including Secretary of State James Baker, who have sought to shift blame away from themselves and toward a dutiful civil servant.

Mr. Baker says that policy positioners are dangerous because critics will accuse 20-30 hindsight. But that risk is peanuts compared to the

perils of revisionism, which distorts the ability to understand what has happened and what will happen. It is understandable, of course, that officials with reputations and jobs on the line would use the media's hunger for revelation and exclusivity to create more heroic versions of a sordid story.

Like most failures to anticipate unwelcome events, the U.S. surprise at Iraq's invasion was largely a problem of a mind-set that shut out any facts and interpretations which contradicted policy. There was enough information available in the CIA data to foresee an invasion — had the White House been willing to believe that Saddam was a rapacious thing capable of anything.

On a smaller scale, the media's temperature-taking of this protracted confrontation on an hourly or daily basis also contributes to public

confusion. The most recent broadcast or headline often obscures the underlying rhythm of the Gulf confrontation, which, despite a flurry of contradictory reports in recent days, continues to move inexorably toward military conflict unless Iraq withdraws completely from Kuwait.

Such temperature-taking inevitably produces an impression of policy lurches rather than of a steady policy rhythm. When Brent Scowcroft, the national security adviser, deplores the destruction of Kuwait, the headlines run toward war. Then President George Bush extends an olive twig in his United Nations speech, and the word is that peace is on the way. Both were tactical moves aimed at specific audiences as part of a political management cycle.

Mr. Scowcroft and Mr. Bush were establishing clearly for world and American opinion that if Mr. Bush has to go to war, it will be in sorrow rather than in vengeful anger or enthusiasm for bloodshed. Mr. Bush and French President François Mitterrand gave dovish United Nations speeches that they can point back to after hitting Iraq hard, to show that they made peace offers and Saddam did not reciprocate.

Behind the confusing headlines, George Bush is saying to Saddam Hussein in rather clear and consistent terms: "I have not yet made a final decision to expand the war you started and are still conducting. You can still affect that decision by withdrawing unconditionally and immediately from Kuwait. If you do, the United States will not seek your destruction as a war aim. I will take you as an answer."

He must persuade Saddam Hussein that George Bush is a man of war facing a pressing deadline, while showing American and world opinion that George Bush is a man of peace, willing to go the extra mile. Through the force of circumstances, it is Saddam who will decide which Bush goes to history.

The Washington Post.

The Gulf crisis continues to move inexorably toward military conflict unless Iraq withdraws completely from Kuwait.

timely warnings that Saddam Hussein was about to swallow Kuwait is a particularly troublesome case of rearranging history, Washington-style.

So is an effort centered in the State Department to create ex post facto a serious debate within the administration about changing policy toward Iraq that had to be subordinated to more urgent business last spring. Neither those warnings nor that debate existed.

As Iraq made its final preparations to overrun all of Kuwait and capture or eliminate that Arab state's ruling family, the CIA was reporting to the White House that the meeting Iraq had intended as political intimidation to force the Kuwaitis to raise their oil prices and make territorial concessions.

The agency did not suggest 48 hours before the attack began, as some of its officials apparently



Blame Reagan for the Emboldening of Saddam

By Anthony Lewis

BOSTON — There has been much soul-searching since Aug. 2 about failures of American policy that helped to encourage Saddam Hussein's aggression, but not enough attention has been paid to the man whose folly led the way: Ronald Reagan. In three significant ways, President Reagan gave the Iraqi leader reason to believe that he did not have to worry about American opposition.

Mr. Reagan played down human rights concerns, winking at horrendous cruelties by Saddam Hussein. He destroyed U.S. energy policy, making America more vulnerable to oil shocks. And he treated international law with contempt.

Few recent inhumanities in the world have been as shocking as Iraq's use of poison gas to kill thousands of its own Kurdish citizens in 1988. It was unconcealed; reporters went to the devastated villages, and the world saw the bodies on television. What did the United States do? Secretary of State George Shultz, to his credit, condemned Iraq for the use of chemical weapons, but the larger message sent by the Reagan administration to Saddam Hussein was that it did not care.

The Reagan administration lo-

bied against, and blocked, congressional efforts to impose sanctions on Iraq in 1988 before the use of poison gas. It continued to extend \$500 million a year in credit guarantees to Iraq to buy U.S. food products. At a special international conference on chemical weapons, held in Paris in January 1989, the United States strongly opposed efforts to name Iraq as a violator. Because the administration gave a low priority to human rights, and because it sent self goods to Iraq, it groveled.

Before the gassing of the Kurds, Saddam Hussein had used chemical weapons in the war with Iran. The Reagan administration made no forceful objection to that, either.

In retrospect, it would have been much better at the time of their use of poison gas . . . if we'd put our foot down." Richard L. Armitage, an assistant secretary of defense in the Reagan administration, said after the invasion of Kuwait. "The mistake we made was not pushing very hard and loud for international action." The Reagan administration, in short, missed a chance to deter Saddam Hussein.

Shortly after Mr. Reagan was

withdrawn from its jurisdiction. Again, Saddam Hussein heard the message he wanted: The United States does not care about international law; it will look the other way if I break the rules.

George Bush carried on the failed Reagan policies. When Congress imposed sanctions on Iraq but allowed a presidential waiver, he waived them — and his people were on Capitol Hill opposing effective sanctions just a few days before the invasion of Kuwait. He did nothing for energy conservation. His invasion of Panama was another expression of contemptuous disregard for international law.

We can hope that Mr. Bush has learned from the experience of these last two months — learned at least that it does not serve American interests to disregard a tyrant's cruelties or to trample on international law.

But Ronald Reagan never learned. I thought of him when the superb public television series on America's Civil War recently described how President James Buchanan's vacuity helped to bring on the war. Americans paid for that war for 100 years. We shall be paying as long for Ronald Reagan's folly.

The New York Times.

The Caustic Ishihara Bark Is Worse Than the Bite

By Flora Lewis

TOKYO — Face to face, he seems more of a pussycat than a fire-breathing dragon. Shintaro Ishihara, the man who wrote "The Japan That Can Make It" is angry now that the United States sent some marines to the Gulf from a Japanese base without asking permission.

People like Ishihara who can sound rousing themes and articulate grievances have an audience.

mission. He claims it is a violation of the security treaty, which is false.

But what if the United States had consulted? "I would say yes, of course," he said with a smile. He denies that he ever advocated breaking the U.S.-Japanese alliance, which is certainly the impression left by the unauthorized translation of his book circulated in America. "My best non-seller," he cracks, adding that his

new, commercial version will be published in New York late this year.

What he wants, he says, is to change the treaty to provide "perfect equality." Instead, rampant anti-American attacks, with racist undertones, which dot his book, he argues that "Japan and America together can create a new civilization."

But then the claws begin to show. Mr. Ishihara uses a baseball metaphor. Japan and America should form a "battery, catcher and pitcher." He adds: "We are strong, we can win, first the Pacific League, and then the World League. The time of the Pacific is coming."

Mr. Ishihara has made himself a star of the strident, nationalist, assertive streak in Japanese opinion. The rest of the establishment assures, with good evidence from polls and elections, that it is only marginal. But his book sold a million copies in Japan.

Japan is still obsessively sensitive to any American criticism, and it does give people a lift to hear some-

one talk back. Mr. Ishihara is tall, well-dressed, good on the stump, he can be witty, and so he has become a "personality."

He first gained recognition as a somewhat shocking novelist, "Japan's male version of François Truffaut," said an official. He can be playful. Asked his age, he coyly asked for a guess, appreciated the underestimation with a modest smile, and admitted to 57. "You can read about me in Playboy," he said. "I love Playboy."

There is a mounting nationalism here, as Japanese become aware that their diligence and discipline have made them an economic giant with the world's second-largest GNP.

Thoughtful people worry about it. They feel that the country has reached a kind of crossroads. It does not want to go back to isolation, with all the deprivation that would mean, but will it go forward as a constructive, responsible partner or as a petulant troublemaker, on the prowl?

The issue has not really been joined. It is discussed only obliquely in public, revolving on immediate, essentially symbolic questions because it feels uneasy, risky, to address the big underlying notion of responsibility.

Should members of the armed forces be sent to the Gulf to show solidarity? If so, can they wear uniforms? Can they wear sidearms? What if they get in a danger zone?

Even Mr. Ishihara, who argues that Japan should provide for its own defense and follow its own strategic interests, says participation should be limited to "sending navy ships to protect Japanese tankers." That does not extend to enforcing the embargo, and it is beside the point of the Gulf crisis.

He is fuzzy, sometimes wrong, on military facts and problems. That does not bother him, because he is a polemicist and the public is poorly informed on both the current situation and the global political stakes.

A common joke in Japan is that "If you want to keep out of danger, join the armed forces." He knows there is a deep, broad sense that Japan must stay out of conflict and that it contributes enough for peace if it stays out of other people's quarrels.

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Misgivings As Europe Changes

By Stephen S. Rosenfeld

WASHINGTON — Washington greets the newly united Germany with great and genuine enthusiasm but with some quiet lesser misgivings, too.

In the official view — the right view — unification, triumphantly caps the end of the division of Europe into Cold War blocs, the rededication of a country and a continent on the basis of democracy, the free market and mutual security, and the reduction of Soviet-American tensions of which the greatest was the threat of nuclear war. That all this happened peacefully and in tandem with the Soviet Union but under American leadership — the leadership of the past decade and the past four decades — is cause for pride and rejoicing.

But some doubts linger about the new Germany and the new Europe. These doubts are not of the ominous portent that marked the earlier period. But they are more than nostalgia for Cold War stability. They are expressed in pragmatic questions about exactly what the future will bring.

Along with the confidence in Germany comes the nagging question of how the united country will put its great economic might to use. American has necessarily moved from a remote possibility and one whose temptations are well understood by Germans, but it still stirs an undercurrent of long-range concern.

It is taken for granted that economically and politically Germany will dominate the new Europe. This is one of the considerations that sharpen American worries that the new Europe may tend to the "insular" rather than to the "internationalist," as Robert Zoellick, Secretary of State James Baker's man for Europe, mused out loud the other day. "Frankly, I do not believe the insular Europe is the most likely new Europe," he said. "But some public and political currents, as well as some policies, reflect this insular spirit."

That West Germany could have let its private industry secretly sell some of the more terrible tools of war to Iraq, for instance, is seen as a disturbing sign of immaturity in the use of its economic power in the world. The country's hesitation to pick up a fair share of the burden of allied costs in the Gulf is another sign.

At a time of celebration in Europe and crisis in the Gulf, the United States has necessarily avoided making a spectacle of its misgivings. But these recent actions of Germany are of the sort that it is going to have to rise above if it, and for that matter Europe in general and Japan, are going to work out the modernized post-Cold War global partnership that the United States offers its special allies among the industrialized democracies.

The institutional how-to of a new Atlantic partnership is uncertain. A split with far-reaching implications is developing over whether this might better be done through NATO or the Conference on Security and Cooperation in Europe.

NATO is the leading, traditional instrument of American influence in Europe. Although the particular Soviet threat that it was set up to counter has now all but faded in European eyes, Washington regards it as eminently retoolable. Mr. Zoellick points NATO as "a brilliantly successful expression of how democratic nations sharing common values can work together to maintain their security, insurance against any threat," a potential "forum for organizing the West to cope with regional conflicts." Almost plaintively he says: "I hope that Europeans will not so maintain this as a relic of the past."

The CSCE brings together 35 states including all the European plus the United States and Canada. Until now largely known for its valuable and continuing work in human rights, it is increasingly seen by Europeans as the framework of a new continental security structure. Mr. Zoellick puts it in the "hopeful but untested" category — as being at best of auxiliary utility. But it is fast becoming Europe's favorite vehicle to ride into the new age. As the cheers subside, there will be some bumps in the road.

The Washington Post.

100, 75 AND 50 YEARS AGO

1890: Dutch Regency

THE HAGUE — The King of Holland has fallen into second childhood. He is no longer conscious of his acts. It is impossible to allow the present situation to continue any longer and, contrary to the wishes of the Queen, the Ministers have decided to proclaim a Regency.

1915: Wilson Engaged

NEW YORK — President Wilson announces his engagement to Mrs. Norman E. Galt, of Washington. Mrs. Galt, whom Mr. Wilson has known for a year, is the widow of a prominent jeweler, who died eight years ago. She is about thirty-eight years of age. The bride-elect is a Suffragette and comes of an old Virginia family. She is an exceedingly pretty brunette and was Miss Edith Bolling of Weymouth, Virginia. The President monopolizes the first pages of the newspapers, his declaration for national defense, his adherence to the

causes of the Suffragettes and the news of his coming wedding filling many columns. The wedding will take place in December.

1940: Into Rumania

BERLIN — Authorized Nazi sources said today [Oct. 7] that German troops had entered Rumania because a watch against under-cover British activity in that kingdom's oil field was necessary. There was no indication of how many German troops had entered Rumania, but it was pointed out that a German general had been reported there. Of primary importance to Germany is uninterrupted delivery of Rumania's oil and gasoline, essential to the Nazi war machine. Authorized sources, hinting that Germany might have decided to police the oil fields, said Germany feared sabotage by British agents in Constanta and other Rumanian oil centers.

— From the New York edition of the New York Herald Tribune.

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New International Bond Issues

Compiled by Andrew Register

Issuer	Amount (millions)	Mat.	Coups %	Price	Price and week	Terms
Floating Rate Notes						
European Investment Bank	\$56,516	2008	010	100	—	Over 6-month Libor, Noncallable, No fees. (J.P. Morgan Securities)
National Westminster Bank	\$250	2000	3/16	100	—	Over 3-month Libor, Variable rate notes with a fallback rate of 0.60 over Libor, Noncallable, Fees not disclosed. (Salomon Brothers Int'l)
CMS Number 6	£225	2027	1/4	100	—	Over 3-month Libor until 2000 and 1/2 over thereafter, Noncallable, Fees 0.25%, Determinations \$10,000 (J.P. Morgan)
Holifield Building Society	£250	1997	1/16	100	—	Over 6-month Libor, Callable at par in 1994, Fees 0.15%, Determinations \$10,000 (Worthing Securities)
Italy	ECU 1,000	2005	3/64	100	—	Interest will be the 3-month Libor, Callable at par in 1992, Fees 0.30% (Banca di Roma)
Fixed-Coupons						
Energie Beheer Nederland	\$300	1995	9	99.4	—	Noncallable, Fees 0.25%, Determinations \$10,000 (Morgan Stanley Int'l)
Finland Export Credit	\$300	1993	8 1/4	101.175	100.08	Noncallable, Fees 1/16% (Morgan Stanley Int'l)
Export Development Corp.	US\$150,000	1993	12 1/4	101 1/4	99.88	Noncallable, Fees 1/16% (Istituto Bancario San Paolo di Torino)
Finance for Danish Industry	DK 300	1993	10 1/4	101 1/4	—	Noncallable, Fees 1/16% (Kreditbank)
Kreditbank Int'l Finance	DK 300	1995	10 1/4	102	100.38	Noncallable, Fees 1/16% (Kreditbank)
European Investment Bank	PTA 10,000	1995	14.35	101	101.00	Noncallable, Fees 1/16% (Banca Espanola de Credito)
IBM Australia	Aus\$ 75	1993	14	101.95	100.30	Noncallable, Fees 1/16% (Westpac Banking)
Shell Australia	NZ\$ 60	1994	14	102	100.38	Noncallable, Fees 1/16% (Harcourt Bank)
Okobank	Y 18,000	2000	8.05	100 1/4	—	Noncallable private placement, Fees not disclosed (Bank of Tokyo Capital Markets)
Equity-Linked						
Naturen	\$ 50	1994	5 1/2	100	98.50	Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/4%, Terms to be set Oct. 8 (Daiwa Europe)
Nigata Engineering	\$150	1994	5	100	101.00	Noncallable, Each \$10,000 note with two warrants exercisable into company's shares at 55% premium and of 137.50 yen per dollar, Fees 2 1/4% (Yamato Int'l Europe)
Nippon Columbia	\$100	1994	5	100	104.30	Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 97% yen per share and of 137.50 yen per dollar, Fees 2 1/4% (Nippon Int'l)
Shimano Industrial	\$200	1994	5	100	120.50	Noncallable, Each \$10,000 note with two warrants exercisable into company's shares at 202% yen per share and of 138.25 yen per dollar, Fees 2 1/4% (Nippon Securities Europe)
Shinko Electric	\$110	1994	open	100	100.00	Coupon indicated at 5 1/2%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/4%, Terms to be set Oct. 9 (Nippon Int'l)
Nippon Zeon	DM 160	1994	5 1/4	100	—	Noncallable, Each 5,000-mark note with five warrants exercisable into company's shares at 42% yen per share and of 89.10 yen per mark, Fees 2 1/4% (Daiwa Bank)
ASDA Finance	£ 73	2005	10 1/4	100	101	Callable at par from 1995, Convertible at 125 pence per share at 10.25% premium, Fees 2 1/4%, S.G. Worthing Securities

EMS Debate Rekindled in Portugal

Reuters

LISBON — Britain's sudden leap onto the European Community's currency train has reopened the debate on whether Portugal should climb aboard too.

Portugal's finance minister, Miguel Beirão, told a newspaper over the weekend that the announcement made no difference to Portugal's long-term strategy for entering the exchange rate mechanism.

"The escudo will enter the system when it is technically possible," he told the daily *Diário de Notícias*.

Bankers and economists said they did not expect any immediate move to follow Britain into the system, which seeks to stabilize currencies by letting them fluctuate within agreed bands.

But there was a certain to be political pressure from elements concerned that Portugal might be left behind in the drive toward European integration.

"The whole debate now will be reopened," a banker said. "We will get all the old arguments coming out again, the political versus the economic. Next week will be very lively."

Although its economy is growing at around 4 percent a year, Portugal is the EC's poorest member apart from Greece.

After half a century of political isolation under dictators, Portugal is obsessed with establishing its European identity and determined to strengthen links with the main EC economies.

Carlos Tavares, secretary of state for the Treasury, told reporters in Brussels that the escudo would be the next EC currency to join the ERM when conditions were right. The Greek drachma is the only other one still outside.

The Finance Ministry and central bank have argued that Portugal's inflation, now around 13 percent, must be brought closer to the EC average before entry to ERM. Its interest rates are also far above the EC average.

The most quoted earliest estimate by Portuguese officials for entry is the end of 1991.

POUND: British Currency Decision Draws Criticism

(Continued from page 1)

negotiate treaty amendments for monetary union is due to begin Dec. 15.

Any positive reaction over Britain's decision to join the Exchange Rate Mechanism could end abruptly if Mrs. Thatcher decides to counterbalance that move with increased rigidity in other areas of Community policy.

After a meeting of EC foreign ministers to discuss greater coordination of foreign policy, Foreign Minister Roland Dumas of France said his British counterpart, Douglas Hurd, had put up "most important resistance."

The so-called Bruges Group, made up of Conservative Party members of Britain's Parliament who are opposed to further moves toward EC integration, has warned that it would seek to halt any further concessions to supporters of

European unity within the party. Observers said that at the Conservative Party conference this week, there could be a clash between representatives of the Bruges group, like the former minister for trade and industry, Nicholas Ridley, and pro-European conservatives like Deputy Prime Minister Geoffrey Howe.

The domestic political battle lines could be further complicated because the opposition Labor Party, currently well ahead in the polls, plans to soon formally endorse EC monetary union.

The party's economic spokesman has also tried to cushion the political fallout from the government's surprise decision on the Exchange Rate Mechanism by warning that the move was not an economic panacea.

Chancellor of the Exchequer John Major said Sunday that he

would not hesitate to raise U.K. interest rates if the battle against inflation demanded such a step.

His comment on Sunday contrasted with widespread popular belief that membership in the mechanism would usher in declining interest rates.

Analysts generally support the view that interest rates will come down further in the short term, perhaps as low as 11 percent early next year. But they maintain that the disciplines imposed by membership in the Exchange Rate Mechanism will demand hard economic choices, including higher interest rates, over the long term.

They pointed out that it has taken France seven hard years of economic discipline since the end of President François Mitterrand's dash for growth to achieve its current economic health.

SUMITOMO: Chairman Quits Over Stock Scandal

(Continued from first finance page)

increase profitability. The strategy has paid off in the past, with over \$400 billion in assets, Sumitomo ranks third in size in Japan and hence in the world, but first in profitability. The bank's net income in the fiscal year ended March 31 was 352.6 billion yen (\$2.67 billion).

Tokyo prosecutors are investigating to determine whether high-ups were involved in the scandal. But for now, attention is focusing on Akino Yamashita, 45, who allegedly used his branch manager position to funnel \$167 million to several stock speculators. Among the speculators is Mitsuhiko Kotani, the 53-year-old head of Kotani Co., who has been indicted for illegally manipulating share prices.

According to prosecutors, Mr. Yamashita persuaded some major customers of the bank to lend money to Mr. Kotani, in violation of laws forbidding bank employees to arrange loans for third parties outside their companies. Mr. Yamashita and a confederate, Kiyoshi Akiyama, allegedly received nearly \$750,000 from Mr. Kotani, plus inside information.

The changes at Moscow Narodny reflect those in the Soviet Union in recent years.

During the Brezhnev years, the bank stagnated.

"Profitability was not a matter of considerable concern to our shareholders," said William L. Newman, an English assistant general manager who joined the bank in 1968.

Beginning about five years ago, when President Mikhail S. Gorbachev came to power, that began to change. The bank's board of directors was replaced with a relatively young, talented crew of Soviet bankers, who typically serve about three years before returning home.

Last year, the bank's income before taxes, bad-debt provisions and transfers to income reserves, totaled \$21.5 million (about \$42 million at the current rate) up from \$15.4 million the previous year.

is interested in swapping some of it for equity stakes in state businesses that are turning into investor-owned enterprises.

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Budget Crisis Hits U.S. Bonds

Lack of Agreement Seen Favoring Short-Term Issues

Compiled by Our Staff From Dispatches

NEW YORK — The U.S. budget stalemate could send long-term interest rates higher because of confusion over Federal Reserve Board credit policy and disruptions in the Treasury's financing schedule, analysts said.

"You should buy the short end and sell the long end, and ring the bell," said one analyst.

U.S. CREDIT MARKETS

register on Dec. 31," said Jan Hurley, economist at Chase Securities.

Analysts said that failure to end the stalemate by the time the market opens after the Columbus Day holiday on Monday could severely disrupt the Treasury's financing calendar.

"If there is no budget, then we will have no auction of bills or Ref-co bonds on Tuesday, and no auction of seven-year notes on Wednesday because the government won't be able to borrow or spend," said William V. Sullivan Jr., senior vice president at Dean Witter Reynolds.

The bond market would be virtually paralyzed, he said.

President George Bush has threatened to veto any bill allowing the government to continue running on temporary spending allowances after a budget deficit reduction pact failed to be approved by the House of Representatives on Friday.

Few economists believe that

Congress will have sorted out the budget mess by Tuesday.

"I find it hard to believe that a package which took six months to construct and went down to defeat by such a strong margin will be resurrected," said Mr. Hurley.

The budget package is aimed at cutting the federal deficit by \$500 billion over the next five years.

Its defeat also casts uncertainty on the timing of Federal Reserve credit easing, which was expected once a credible budget pact was in place, providing long-term interest rates fell in the process.

Fed policy is likely to remain on hold for the near-term, with its target for federal funds still seen at 8.00 percent, analysts said.

On Friday, funds were at 8 percent late in the day, after the Fed added reserves to the banking system via over the weekend system repurchase agreements with funds at 8 3/16 percent. Funds were seen opening between 7 1/2 and 8 percent on Tuesday.

As a result, late trading found the Treasury's benchmark long bonds, the 8.75 percent issue maturing in August 2020, unchanged at 99 17/32, as was its yield at 8.78 percent on Friday, compared with 8.53 percent a week ago. During the stormy session, the price of the long bond ranged from a low of 98 28/32 after the opening to a high of 99 25/32.

The 30-year 8 1/4 percent Treasury bond closed unchanged at 99 17/32 yielding 8.79 percent. Yields had fallen in recent days on hopes for a budget agreement.

But Treasury bills surged on news of a 101,000 drop in September nonfarm payrolls, and a rise in the jobless rate to 5.7 percent.

William Dudley, senior economist at Goldman Sachs & Co., said said bills had improved in hopes the Fed would eventually ease by more than expected due to weak jobs data.

Meanwhile, fears that rising overseas interest rates would reduce the attraction of Treasury debt issues abated somewhat during the week. The yield on Japan's 10-year long bonds, for example, plunged to 8.11 percent from 8.69 percent during the week.

Despite the mounting cost of German unification, the yield on Germany's 10-year bonds declined to 9.08 percent from 9.12 percent.

News Friday that Britain was moving to join the European Monetary System caused the yield on London's 10-year long "gilts" to drop 40 basis points, or hundredths of a percentage point, to 11.25 percent. As for the Treasury's equivalent issue, the 8.75 percent long notes of August 2000, they closed unchanged at 100 23/32, and a yield of 8.63 percent, well down from 8.79 percent a week ago. (Reuters, NYT)

Wall Street Ponders the Bear Facts

By Diana B. Henriques

NEW YORK — Just as the world has accepted the fact of a bear market, Wall Street is facing a new puzzle: What kind of bear is it? Most analysts think this market is being driven by a "cyclical" bear, one that will hang around for less than a year and will pull stock prices down by another 10 percent or so.

But what if this is the dreaded "secular" bear, one that will last more than a year and will drag prices down another 20 percent before it finally lets go?

"That is the critical question," said Byron Wien, the portfolio strategist for Morgan Stanley & Co. "The first thing I do, at every meeting I go to, is to ask the people where they stand on this issue."

So far, Mr. Wien himself stands on the side of the cyclical bear, and he has a lot of company — perhaps because it is a far less scary place to stand these days.

The market made some soothing gestures of its own last week. Despite the traumatic collapse of the Federal budget pact last Thursday night, the Dow Jones industrial average closed a turbulent week at 2,510.40, up 57.90 points for the week.

But that wimpy rally won't be enough to cure the unease that will develop this week if the budget impasse is not resolved.

Progress on the deficit front was one reason that Mr. Wien had concluded that this bear is of the gentler, briefer variety.

"My view assumes that the safety nets will work," he explained.

"One of the safety nets is Congress. There was a belief that Congress would see that we have problems and would pass a budget compromise bill — and it did not."

The reason that is so worrisome, of course, is that the United States relies on capital from around the world to finance its deficit.

Lower interest rates could forestall or cushion the recession haunting Wall Street — but the Federal Reserve's hands are tied by higher rates abroad and the weakness of the dollar.

The Tokyo market may offer a clue to where the American market is heading. Justin Marris, a quantitative analyst for Gordon Capital in New York, suspects that the Nikkei index "is one major swing ahead of the United States bear market."

Immigrant's Firm Aids Solidarity With Banks

The Associated Press

HARTFORD — A company headed by a Polish immigrant who became a millionaire developer has entered a joint venture with Solidarity to establish private banks and insurance companies bearing the trade union's name.

David T. Chase, president of Chase International Corp., said Friday that Solidarity-Chase Bank SA is expected to open in Poland in February with \$12 million in capital.

It would be among the first private financial institutions to open in Poland, which is undertaking a transition to a market economy.

Separate companies selling life insurance and property and casualty insurance are to be established by next spring, Mr. Chase said.

"It's a wonderful opportunity, both for Poland and the United States," said Mr. Chase, who was born David Ciecia, in Kielce, Poland.

Mr. Chase fled Nazi-occupied Poland as a youth and as an adult, built an empire in Hartford.

Chase International Corp.'s joint venture with Solidarity will be Mr. Chase's second in his native country.

Chase Enterprises — a sister company of Chase International — last December entered a \$900 million venture to build a cable television system in Poland.

Chase International is majority owner in a consortium called Selective American Financial Enterprises Inc., or SAFE Inc. Other partners are the national pension fund of the Sheet Metal Workers' International Association and the American-European Special Opportunities Fund, an investment organization based in Washington and London.

The acronym, SAFE Inc., was chosen "to connote a safe banking institution," said Richard A. Walawender, a lawyer in Detroit who helped establish terms of the joint venture between Chase International, its partners and the Solidarity Economic Fund, a subsidiary of the labor federation.

SAFE will hold 49 percent interest in a bank holding company to be set up with the Solidarity Economic Fund, which will own 51 percent.

The bank's headquarters likely will be in Gdansk, the Baltic port that gave rise to Solidarity in 1980.

Bundesbank Said to Caution On Unity Costs

Reuters

HAMBURG — The Bundesbank believes the cost of German unity will be higher than the government has estimated, according to a report in Der Spiegel magazine that will be published on Monday.

Der Spiegel said a Bundesbank report put Germany's federal deficit at around 100 billion Deutsche marks (\$64.6 billion) in 1990 and 120-130 billion in 1991. It said Germany's unity treaty "was based on too favorable assumptions of East Germany's adjustment process."

Bonn's third 1990 budget draft — the first pan-German budget — foresees a federal budget gap of 66.8 billion DM.

The magazine said the Bundesbank report also recommended raising Germany's oil tax to finance unity once all possibilities of cutting spending had been exhausted. Other measures could include a rise in the value-added tax.

Argentina Postpones Phone Company Sale

Agence France-Presse

BUENOS AIRES — President Carlos Menem postponed on Sunday the privatization of Argentina's telephone company to give a European consortium that stepped in as a last-minute buyer more time to prepare for the takeover.

Mr. Menem said the deadline would be extended by 15 to 30 days for the two groups taking over Entel — one led by Spain's Telefonos de España and one led by Italy's state-owned telecommunications concern STET SpA, and France Telecom's France Cable & Radio.

Monday had been set as the deadline for the formal transfer of ownership of Entel, an oft-delayed takeover that is seen as a test case in Mr. Menem's efforts to overhaul his country's troubled economy by selling off money-losing state-run firms.

But when a grouping headed by Bell Atlantic Corp. of the United States failed at the last minute to come up with the funds needed for its part of the deal, the European consortium stepped forward. In the original Entel auction in July, Bell Atlantic purchased Entel's northern zone. But the group's bank, Manufacturers Hanover Corp., last week said it failed to raise the funds needed to purchase the debt equity shares.

With Monday looming as the deadline, STET-France Cable said during negotiations this weekend that the consortium would need around 30 days to take control of the company, and the Menem administration agreed to an extension.

The deal will give that consortium ownership of Entel's northern zone, stretching from Buenos Aires to the borders with Paraguay and Bolivia.

Telefonos, which will take over the southern zone, asked for an extension similar to that granted the Franco-Italian consortium. The Spanish group said it did not want to control the southern zone until the northern one was also privatized, saying it was not willing "to compete with the Argentine state."

The two consortia are expected to pay a combined \$214 million cash down payment and a further \$228 million in installments and to purchase \$5 billion of Argentine debt. The debt equity shares are worth about \$500 million on the secondary market.

The deal was expected to cut Argentina's \$64 billion external debt by 10 percent.

Industrial Growth Rises A Strong 7.5% in China

Agence France-Presse

BEIJING — Industrial growth in China rose by a robust 7.5 percent in September, led by stronger output by light industries, the State Statistical Bureau said Sunday.

In figures released through the official Xinhua news agency, the bureau said Chinese factories turned out goods worth 165 billion yuan (\$34.9 billion) in September.

Light industry led the way, with its output up 10 percent on the year. Heavy industry trailed with 3.1 percent growth.

September's figures put third-quarter growth at 5 percent, slightly higher than the 4.1 percent recorded in the second quarter.

From January through September, industrial growth averaged 3.1 percent.

Fast-growing rural industries bore the brunt of the slowdown, but the official Economic Daily newspaper said Sunday that their performance was picking up again.

In the first half of this year, it reported, rural industrial output was 274.3 billion yuan, up 10.07 percent on the year-earlier period.

China Reduces Poverty

An official report said Saturday that China is set to reach its "poverty-alleviation targets" since the number of people living below the poverty line has fallen from more than 100 million five years ago to about 18 million last year. Agence France-Presse reported from Beijing.

The fall in the number of those living below the poverty line of 200 yuan a year was achieved through an economic development policy adopted in the 1980s designed to "mobilize the initiative of the people in poor areas," the English-language China Daily said.

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AND IN ALL MAJOR CITIES OF THE WORLD

OTC Consolidated trading for week ended Friday, October 5

CHAS. F. HADLEY, October 3.

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(Continued on next page)

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TO OUR

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, October 5 (Continued)

Sales in 100s	High	Low	Close	Net Chg
Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25

CHICAGO EXCHANGE OPTIONS

Figures as of close of trading Friday, October 5.

Option & price	Call	Put	Option & price	Call	Put
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50

AMERICAN EXCHANGE OPTIONS

Figures as of close of trading Friday, October 5.

Option & price	Call	Put	Option & price	Call	Put
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50
Amgen	13.75	13.50	Amgen	13.75	13.50

WORLD STOCKS IN REVIEW

Via Agence France-Press

Amsterdam

Stock prices ended lower last week in Amsterdam, as gains realized in the first half of the week were wiped out in later trading sessions.

The CBS all-share index closed the week at 168, nearly unchanged from 167.6 the week before.

Total turnover reached 8.9 billion guilders, slightly up from 8.5 billion the previous week. Only 2.5 billion guilders of that was in equities, down from 4.1 billion guilders a week earlier.

The short-term outlook remains gloomy, as a solution to the Gulf crisis seems more remote than ever, according to the Kempen & Co. brokerage.

Frankfurt

The Frankfurt stock market staged a good rally last week, after having hit its year's low the prior week.

The DAX spot trend indicator closed Friday at 1,391.76, up 56.87 points from the previous Friday. The Commerzbank indicator ended at 1,720.6 points, up 91.90 points, or 5.6 percent.

But the rally was actually confined to the week's first two trading days, helped by strong performance on the Tokyo and New York markets. After the Wednesday holiday marking German reunification, the market dropped on Thursday and Friday.

Volume on the eight German exchanges totaled 18.94 billion Deutsche marks.

The auto sector had a good rise, with BMW finishing the week at 405 DM, up 26.50 DM; Daimler-Benz at 585, up 15; Mercedes at 476, up 13; and Volkswagen at 389, up 22.

Hong Kong

Hong Kong share prices rose 3.2 percent on the week, although trading stayed uneasy amid volatility on major overseas markets.

Gulf Fears Push Sydney Down 2.9%

SYDNEY — Fears over the Gulf crisis and that the United States would balk at tackling its budget deficit drove the Australian stock market to a 31-month low last week.

The main market indicator, the All Ordinaries index, ended Friday at 1,356.8 points, down 40.7 points, or 2.9 percent, since the previous Friday's close.

The All Industrials index tumbled 30 points to 2,017.3, the All Resources index lost 45 points to 841.8, while the gold market shed 63.3 points to 1,416.8.

The average daily volume of shares traded was about 88.3 million, up from a daily average of 84.2 million the previous week.

Continuing concern about the debt levels of Rupert Murdoch's News Corp. also dragged down the market, one broker said.

The broker said the direction of the market this week would depend on a great deal on developments in Washington and the Middle East.

Market heavyweight Broken Hill Proprietary shed 65 Australian cents (54.6 cents) to 10.05 Australian dollars. Westpac dipped 5 cents to 4.04 dollars. Brambles slipped 10 cents to 12.50 dollars. Coles Myer slid 14 cents to 7.40, and Elders DXL dropped 22 cents to 1.20 dollars.

Among mining firms, CRA decreased 20 cents to 10.25 dollars while Western Mining lost 52 cents to 4.20 dollars.

Job Openings Fall

Further evidence of recession in the Australian economy emerged Sunday in figures showing it was harder to find a job than at any time since early 1983, Agence France-Press reported from Sydney.

The ANZ Banking Group reported that the weekly number of job vacancies advertised in newspapers in state capitals fell in September to 18,172. This was 7.8 percent lower than in August and less than half of the peak of 41,854 reached in April 1989.

The Hang Seng Index gained

89.63 points to close at 2,850.45 on Friday.

Average daily turnover expanded to 788 million dollars, up from 623 million dollars.

With trading volume low, bargain hunters moved in Monday to push the Hang Seng up 30.44 points despite a sharp fall in Tokyo, from which it usually takes its cue.

The trend gathered momentum Tuesday as the Hang Seng shot up 114.22 points amid heavy turnover, due to a sharp rally on the Tokyo exchange.

London

Shares fluctuated during the week, but finished with a late surge on Friday after Britain said it was joining the Exchange Rate Mechanism of the European Monetary System and would cut interest rates by a point.

By the close of the Friday session, extended by an hour due to the government's announcements, the Financial Times 100-share index had jumped 153.7 points against its closing a week earlier — a 7.7 percent increase — to finish the week at 2,143.9.

The exchange started the week with optimism, sustained on hopes for a diplomatic solution to the Gulf crisis, cuts in U.S. and British interest rates and predictions of a sharp fall in British inflation by the Conservative Party's chairman, Kenneth Baker.

Milan

Stock prices had a good week, with the MIB index rising 2.34 percent to finish at 830, up from 811 the previous Friday.

An average 55 million shares changed hands daily, against 40 million the previous week, with an average daily value of 170 billion lire against 120 billion.

Flat shares jumped by 7.82 percent, a rise that dealers said was due to the alliance with the French

group CGE. STET, the state-owned telecommunications company, fell 5.12 percent on the week.

The most important event of the market week was the introduction of capital gains taxes on market profits.

Paris

The Bourse gained almost 4 percent on the week. The CAC-40 stock price index closed at 1,551.93, due to a big jump on Monday and a late recovery on Friday after announcement of the pound's entry into the Exchange Rate Mechanism of the European Monetary System.

But dealers said they were worried about the market in the near term, in the light of the Gulf crisis, signs of recession in the United States, and the collapse of the U.S. agreement on cutting the federal budget deficit. High oil prices are another reason for concern.

Volume was low on the Bourse, with trading on the monthly settlement market mostly below 1.5 billion francs a day. Foreign investors were mostly absent, partly discouraged by mediocre French business earnings reports.

Singapore

The Stock Exchange of Singapore managed to recover some lost ground during the first week of October after a very disappointing September.

The market barometer, the Straits Times industrial index, gained 15.25 points, or 1.39 percent, to 1,113.93, while the broader-based SES all-share index rose five points, to 312.36, at the end of the week.

Trading was thin as institutional investors stayed on the sidelines, and total turnover fell to 190.6 million units from the prior week's 207.6 million shares.

Dealers said that Wednesday's turnover of 16.97 million units valued at 31.9 million dollars was the lowest recorded for the year.

Zurich

Stock prices had a winning week for the first time since the end of August, with the Swiss Performance Index closing at 923, up from 894.5 a week earlier. It was a 3.18 percent rise.

Dealers said that the 25 percent drop since the start of July had made Swiss stocks attractive buys, since many of them were undervalued. Investors were encouraged to return to the market by the lack of alarming events in the Gulf over the last few days, they said.

In the food sector, Nestlé registered stock gained 640 francs on the week, from 6,640 to 7,280, while the company's bearer issue rose 460, from 6,960 to 7,420.

WALL STREET REVIEW

Figures as of close of trading Friday, October 5.

NYSE Most Active					AMEX Most Active				
Vol.	High	Low	Last	Chg.	Vol.	High	Low	Last	Chg.
Amgen	13.75	13.50	13.75	+0.25	Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25	Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25	Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25	Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25	Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25	Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25	Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25	Amgen	13.75	13.50	13.75	+0.25
Amgen	13.75	13.50	13.75	+0.25	Amgen	13.75	13.50	13.75	+0.25

NYSE Sales

Sales Vol.

Total for week

Week over

Year to date

1989 to date

1988 to date

1987 to date

1986 to date

1985 to date

1984 to date

1983 to date

1982 to date

1981 to date

1980 to date

1979 to date

1978 to date

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